

threat to Europe's security



Maastricht Why Jutland's fishermen say No



Aid to Russia The GY takes a gamble



N American Trade Some winners,

some losers Survey, Pages 27 - 30

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY MAY 12 1993

Fiat draws up code of ethics for business practice

Fiat, Italy's biggest private company, tried to distance itself from the country's growing political corruption scandal by issuing a new "code of business ethics". The move is expected to be followed by other big Italian companies, including the state-owned Eni energy and chemicals group which has also been implicated in allegations of corruption and kickbacks on public sector contracts. Page 16; Editorial Comment, Page 15; Ex-Communists accused over Italian kickbacks,

Spotlight on jobs in Brussels: The resignation of the European Commission's director-general for social affairs, Sigismundo Crespo, has cast an embarrassing spotlight on how the EC fills its senior jobs. Page 16

Waigel urged to return to Bavaria:



Theo Waigel (left), German finance minister and close ally of Chancellor Helmut Kohl, is under pressure to quit and take over as state premier in bis home base of Bavaria. Reports yesterday said Mr Waigel, a symbol of stability and key figure

in the ruling coalition, is to return to Munich to replace Max Streibl in the Christian Social Union. Page 16

Japan accuses on trade: Japan has accused its leading trading partners of unfair trade practices. Page 7

US farmers' Gatt warning:The American Farm Bureau, the most consistent advocate of farm trade reform within the current round of General Agreement on Tariffs and Trade talks, warned that the US agriculture lobby may withdraw support if US negotiators accept EC offers on market access for commodities. Page 7

Israell government hangs on: The crisis threatening Israel's ruling coalition was suspended after Aryen Deri, interior minister and leader of the ultra-religious Shas party, agreed to reschid his resignation from the government. Page 4

Japan pledge on Cambodia: Kilchi Miyazawa, Japan's prime minister, is expected today to deliver a strong reaffirmation of the country's commitment to the United Nations peacekeeping operation in Cambodia, as opposition demands for an immediate pull-out intensified. Page 6

Talikistan arms find: Security forces in Tajikistan, central Asia, setzed 10 caches of firearms and missiles which they believe had been prepared for a major rebel attack. Afghans fuel war on ex-Soviet territory, Page 5

Fugitive author backed by UK PM: Indian-born British author Salman Rusbdie said he received strong support from prime minister John Major for his campaign to lift Iran's four-year-old death order against him, adding that the British government had new action in mind.

Fondiaria, Italian insurance group controlled jointly by Ferruzzi and the Gaic holding company, sold its 21 per cent stake in Aachener und Münche-ner Beteiligungs (AMB) to a group of German institutions for DM985m (\$616m). Page 17

Reed Elsevier, international publishing and information group, has signed a letter-of-intent to purchase Official Airline Guides in a deal worth \$425m. The move came as the company, owned jointly by Reed international and Elsevier, reached an agreement to acquire at least a controlling interest in Editions Techniques, French legal publishers. Page 17; Lex, Page 16

Ericsson, Swedish telecommunications group, swung back into profit in the first quarter, helped by strong demand and cost cutting. Pre-tax profit was SKr428m (\$56m).

That factory fire kills 200: More than 200 workers, most of them women, were killed by a fire in a toy factory on the outskirts of Bangkok on Monday night in one of the world's worst industrial accidents. Page 6

Hong Kong agreement: British and Chinese officials agreed to the release of 127.8 hectares of land for sala in the coming 1993-94 financial

Shoppers tricked by take ATM: Shoppers in Connecticut, US, were tricked into revealing secret information about their bank acounts to thieves, who had set up a fake automatic teller machine in a shopping mall.

STOCK MARKET BIDICES	■ STERLING
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Petersen denies Europe sought delay on action until after referendum | Paris plan

The EC presidency categori-cally denied Washington's claim

currently bolds the EC presidency, said the US statement on the subject had "no foundation whatsoever"

"The question of tying any-thing in the EC position to the referendum is totally absurd," Mr

Petersen angrily told a news conference in Brussels.

He was referring to a statement by White House spokeswoman Ms Dee Dee Myers on Monday that to preserve a common front with the EC, Washington was putting off any decision on further action until after the Bosnian Serb referendum. This has been called to allow the Bosnian. been called to allow the Bosnian Serb people to make a final decision on an international peace

Meanwhile, Yugoslav, Serbian and Montenegrin leaders called on Bosnian Serbs yesterday to attend a joint parliamentary session in Belgrade on Friday to decide whether to accept the international peace plan for Bosnia. The joint parliamentary session should replace the weekend's referendum, the Yugoslav EC pushes 'safe areas' option ■ Croats in Bosnian onslaught

Twin track to Bosnia p

news agency Tanjug said.

President Slobodan Milosevic of Serbla who, since the summit of the warring parties in Athens at the beginning of this month, has been actively pressing the Bosnian Serbs to accept the peace plan, sald it concerned Yugoslavia, Serhia, Montenegro

This meant that a decision on the plan, drawn up by Mr Cyrus Vance and Lord Owen, the United Nations and EC media-tors, should not be taken by the Bosnian Serbs in isolation. Mr Petersen said the EC for-eign ministers, at their meeting in Brusseis on Monday, had expressed the same view as the US on the referendum, namely that the move to call it was no

more than "a cynical ploy", aimed at buying more time for the Bosnian Serbs.

Mr Petersea said the question of the referendum had not even come up when he discussed the Bosnian situation by telephone with Mr Warren Christopher, the US Secretary of State, on Monday, nor in discussions with Mr

eign minister, on Tuesday. However, President Bill Clinton yasterday continued to defend his original proposal to lift the embargo on arms deliveries to Bosnian Moslems, an idea that several European govand France, have strongly opposed for fear that it would merely prolong the Bosnian con-

flict.

Mr Clinton complained, in a meeting with students at a Chicago school, that the UN arms embargo imposed on the former Yugoslavia had had the wrong effect. The practical impact was "to give the entire weaponry of the Yugoslav army to the Bosnian Serbs and deprive any kind of equal weaponry to the people fighting against them," he said.

A campaign in the US critici-sing the European nations for their inaction in Bosnia has been gathering force. ft is led mainly by the media and individual politicians, although Senator Joseph Biden, a member of the Foreign Relations Committee, yesterday added his voice to the critics.

to end its control of central bank

> By David Buchan and Alice Rawsthorn in Paris

THE FRENCH government yesterday outlined its plan to give the Bank of France independence, shedding a tradition of tight political control over mone tary policy in the interest of anchoring inflation at a low

International experience has shown that "those countries which enjoy the greatest mone-tary stability are those which bave entrusted the conduct of monetary policy to an indepen-dent central bank", Mr Edmond Alphandery, the economy minis-

ter, said. The draft statute which must be approved by parliament provides for the creation of a ninemember monetary policy commit-tee within the Bank of France. It would be composed of the bank's governor, his two deputies and six outsiders, appointed by the government from a shortlist provided by other institutions for nine-year terms.

He boped that the committee would not be stacked with the "Parislan monetary intelligentsia, all out of the same mould", hut would represent a diversity of interests - even though the French central bank would not follow the federal model of Germany and the US.

Achieving autonomy from its own government would not necessarily make the Bank of France any less dependent on Bundesbank monetary decisions. But in recent weeks France has not always waited for Germany to cut rates before doing so itself.

The new centre-right government also plans to implement radical changes in French industrial policy by taking a tougher line with France's state-con-trolled companies. Mr Gérard Longuet, industry minister, said the state would abandon the old Interventionist approach and would in future be more stringent about injecting extra capital into public sector companies and less resistant to allowing international investors to take stakes in

Continued on Page 16 France's 'Bundesbank', Page 2 Editorial Comment, Page 15

US-EC relations sour on Bosnia

By Robert Mauthner in London

RELATIONS between the US and the European Community took a sharp turn for the worse yesterday after mutual recriminations about the attempts to co-ordinate western policy on Bosnia.

that its European allies were pressing it to wait for a Bosnian Serh referendum thia weekend hefore taking a decision on possible joint military action against the Bosnian Serbs.
Mr Niels Halveg Petersen, for-eign minister of Denmark which

sacks two

opponents

of reform

MR Boris Yeltsin, the Russian

president, resterday sacked two hardline members of his govern-

ment as he began clearing the path to reform following his vic-tory in last month's referendum.

He dismissed Mr Yuri Skokov,

secretary of the powerful state security council and Mr Georgy

Khizha, deputy prime minister for the mllitary-industrial com-

radical reform.

plex - both avowed opponents of

At the same time, Mr Yeltsin

By John Lloyd in Moscow

Yeltsin

leading

plan, rejected by their self-styled parliament a week ago.

and the Serb-populated region of Krajina in Croatia, as much as Andrei Kozyrev, the Russian forthe Bosnian Serbs.

Russian president offers regional leaders a central role in adopting constitution



Dismissed: hardliners Georgy Khiza (left), a deputy prime minister, and Yuri Skokov, state security council secretary

why you, and not someone else, should work on the constitution

told a meeting of leaders from Russia's regions that they should and adopt it". form themselves into a constitu-tional assembly to adopt his draft constitution, by passing the Rus-sian parliament. Mr Yeltsin had This suggests that Mr Yeltsin is prepared to see appointed rep-resentatives become a part of the upper house of the hicameral parearlier hinted at such a role for liament foreshadowed in his draft regional representatives, but this - although the constitution says was the clearest statement of his the Council of the Federation

intent to date.

He told the leaders, called to discuss his draft that "this gathering in future should be transshould be elected. in choosing to use the regional leaders as a legitimising forum for the new constitution, Mr Yeltformed into a Council of Federasin is turning to a group of offition which will subsequently cials who bave mixed views become one of the chambers of about his economic and political the future parliament. That is course, but who have shown over

the past year that their support can be secured in return for concessions, especially in the sphere of tax privileges and retention of

export earnings.
However, this will add to the flow of power from the centre to the regions, often increasing hureaucratic delays and resulting in growing separatism in the autonomous republics. It also means that the long-delayed con-frontation with parliament appears unavoidable in the near

Mr Ruslan Khasbulatov, speaker of the Russian parllament and an outspoken opponent

of Mr Yeltsin's policies, is due to speak today in parliament on the president's draft constitution. He is expected to reject it as tanta-mount to the declaration of a

presidential dictatorship. Further changes in the cabinet and administration are forecast. Attention now focuses on the possibility of the return to the government of Mr Yegor Gaidar, the former acting prime minister.

would be offered the post.

Much ado about lending, Page 15

Mr Skokov's replacement at the head of the Security Council - which deals with issues of foreign affairs, domestic economy and security - was not named. However, there was speculation that Mr Sergei Stepashin, chair-man of the parliamentary defence and security committee,

Quietly ask yourself "If not now, when?"

Gencor to relinquish control of all non-mining interests

By Philip Gawith in Johannesburg

GENCOR, South Africa's second largest mining house, yesterday announced plans to unbundle its non-mining interests in a deal which will probably balve the group's market capitalisation to about R8bn from R16bn (\$5bn) currently.

At the same time Gencor disclosed that it is involved in talks with Royal Dutch/Shell for the acquisition of its main metal mining businesses. Discussions are at an early stage, but if suc-cessful would see the creation of a world scale mining enterprise.

The effect of the unbundling, expected to be completed by August 31 1993, is that Gencor will relinquisb control of its three industrial arms - paper and pulp company Sappi, con-sumer group Malbak and energy company Engen - as well its as investment arm Genbel. Gencor will emerge as purely a mining, metals and mineral beneficiation company, with interests, among others, in gold, platinum, coal, ferroalloys, stainless steel and

Gencor currently trades at a discount of about 19 per cent, or R3.8bn, to net asset value - and improve focus for operations and investors, Mr Brian Gilbertson, executive chairman, conceded there had been a political aspect to the deal. Unbundling is a policy much favoured by the African National Congress and Gencor will receive kudos for being a pio-

The announcement was favourably received in the investment community. Analysis, in general, favour unbundling, saying the South African economy is too concentrated. It will also bring some of South Africa's large and unwieldly conglomerates into line with international trends towards smaller, more focused

Mr Derek Keys, finance minis-ter, and chairman of Gencor when the unbundling issue was first raised nearly three years ago, also endorsed the deal. "Gencor has had an outstanding record as an entrepreneur and I welcome the announcement of the group's plan to unbundle in Although Gencor said the move the belief that it will result in

was motivated by the desire to five entrepreneurs," he said unlock sharebolder wealth - The restructure will in The restructure will involve Gencor passing its shares in Sappi, Malhold, Genbel and Engen through to its own share-bolders. Gencor Beherend, the controlling pyramid, which has nothing but a 54 per cent stake in Gencor, will pass its shares in the underlying companies to its shareholders (50 per cent Sanlam and 25 per cent Rembrandt, the tobacco group) and be liquidated.

Mr Marinus Daling, chief exec-utive of Sankorp, the company that controls Sanlam's strategic investments, and the key driving force behind the unbundling, said yesterday it supported tha unbundling "because focus is extremely important to us as investors...The operations of Gencor are already focused but until this transaction, its paper had not been focused, and it is our most important investment.

Before the unbundling, Gencor plans to supplement existing cash holdings of about R1.5bn by raising a further R1.5bn by disposing of group shares and portfolio investments.

Editorial Comment, Page 15; Lex, Page 16; Overhaul of corporate South Africa, Page 17

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Govt/Central bank

Govt/Central bank

Council of ministers,

approved by cabinet

no fixed term ...

independence

By Ariane Genillard in Bonn

run into the criticism from of growiobyists and parlla-industans.

of environmental affairs.

Opposition Social Democrats and the Free Democrais, the junior party in the coalition, say the hill allows too much omy and could be detrimental

The hill, the first of its kind in Europe, makes industrial manufacturers responsible for collecting and recycling the goods they sell. The Environ-ment Ministry hopes the law will force industry to create goods which can be recycled and reduce the increasing amount of industrial waste it

ore independent than others How some EC central banks are n

Government

Central bank

Crown on proposal.

5 years (renewable

monetary financing

of government.

Legislation

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and ensuring

ecialendence

adopted in March



Government

Central bank

Central bank

no fixed term

Crown on proposet



Central bank

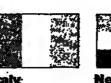
Fed. president on

proposal of govt;

2 vear minimum.

normally 8 yrs with





Govt/Central bank

Board of directors

abolistring advance

with approval of

Cantral bank

Draft bill.on



Central bank

Nominated by govt

/supervisory board,

appointed by crown

Amendments to

to be introduced

legislation required

by Maastricht likely



Governmen

Central bank

f government,

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because of June 6

ears (renewable



Government

Government Govt/Central bank Crown on proposal Crown on proposal of prime minister, 5 years (renewable)

None. Changes will Draft law on indepbe needed if UK stage 3 of Emu poll. Govt/opposition

Danish referendum ring and other fish they hring in from the Baltle and North Sea to their home port of Skagen, at Denmark's northern tip. They want to catch more to compensate, hut cannot because they would exceed EC quotas.

Little wonder then, as they winch their nets aboard their 20-tonne wooden-hulled vessel CK Vest and cast off for a night's fishing, that they have no hesitation in saying how they will vote in next Tuesday's Danish referendum on the Maastricht treaty.

"No!" exclaims Knut-Erik "In the Baltic I've never seen so much big cod as this year but we can't catch them hecause of the Community rules. I'm sure most of fishermen will vote No.

all along the quayside in Skagen, which was closed for three weeks last month by a fishermen's protest strike. It is common also to find deeper resentments against the EC.

lanne Henrikson, who works in a dockside bar. "We should buy and sell to each other, but not have the same police or military. People fear the big countries, like Germany.

But this is not the whole story either. Just a step away from the boats, a less emotional response is evident that backs up forecasts that Danes will reverse last year's No vote. Kurt Rye Poulsen is chair-

man of the Skagen Fisher men's Association, which represents 430 local boat owners and crew. Last year, he was forced to sell bis 150-tonne trawler because he could no longer make money fishing. He says there are only 105 boats over five tonnes in Skagen against 200 a decade ago.

He is campaigning hard for larger quotas - be disbelieves official reports on low stocks and a block on cheap imports from third countries.

we don't stay in the EC."

tioneer Bach Andersen. He says things have never been so bad in Skagen, where unem-ployment is 15 per cent. Cod prices are down 40 per cent since 1990; quotas have fallen

But he, too, will vote ves. Perhaps my beart says No. hut my hrain says Yes. We cannot sell our fish in other markets. The solution is not to get out of the system but to

The fishing industry makes up 80 per cent of the local economy in Skagen, the balance accounted for by tourism. Rune Larsson, the head of the local chamber of commerce says he will vote Yes. He expects the majority of those, like himself, in the fishing ser-

payments on the bnik of its commercial deht in the autumn of 1989, is seeking a 50 per cent reduction of its But he is far from confident about the outcome. He fears that what he sees as rational arguments may be eclipsed as polling day approaches. The great problem is that the dis-cussion tends to be on a very agreement with western gov-ernmeots, under which it will have to resnme full interest emotional level."

money laundering A 1990 European Council con-

vention aimed at combating money laundering will come ioto force oo September 1 after its ratification this week by the Netherlands and Switzer-land, writes lan Rodger in Zûrich. The treaty, signed by 16 European countries, has already been ratified by the UK and Germany. It is aimed at improving co-operation between police forces in tracing and seizing money lanndered by drug dealers and other criminals. The existing European convention does not cover fully the confiscation of money earned by criminals.

Hugh Carnegy gathers views

Denmark's fishermen ready to sink treaty



"I don't want Europe to hecome a new US," says Mar-

Yet he and his association are recommending a Yes vote. "Denmark has very small waters, so most of the fish we catch is in EC waters. Most of our fish is sold to other EC countries. I see big problems if

by the same proportion.

third of the deht and issue 30-year par and discount bonds for the remainder. New law to curb

on quayside

like many of Europe's fisher-

men, are angry. rock bottom for

The story is much the same

This is echoed by fish auc-

change the system."

vice industry to do likewise.

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German recycling bill draws criticism

CERMANY'S plan to fele industrial producers to could their consumer on the face

rene plan, drafted into a bill last month, is unlikely to receive parliamentary support in its present form, following a review this week by a parliamentary committee in charge

state intervention in the econto the environment in the long-

"Price signals are more efficient than legal standards in driving enterprises to find efficlent recycling methods for their products," Ms Birgit Homburger, a liberal MP said. Their arguments are similar to those of the German industry federation which has been campaigning fiercely against

the government plan. The fed-

eration has particularly been

warning against the additional

costs the law would bring on German enterprises. The prevention of waste must he left to individual enterprises which know about the complicated manufacturing processes. Ceneral legal instructions can instead lead to short-term and wrong solutions," the federation said in a

statement on Monday.

 Striking engineering workers said yesterday they would resume talks with employers tomorrow that could end a controversial nine-day-old strike in eastern Germany, Reuter

But the powerful IG Metall union was preparing for mass demonstrations in the west today to support the strikers. who have been pressing employers to resolve a dispute over broken management wage

David Buchan explains how the new independent Bank of France will work HE government of prime min-ister Edouard Balladur is plan-The latter phrase is intended to protect the government from any constining to divest Itself of a slice of tutional charge of dereliction of duty. national policy control by giving the and is heavily qualified in the same Bank of France autonomy in "definarticle by the ban on the central bank

"sollciting or accepting" outside instruction on the conduct of mone-Mr Edmond Alphandéry, the economy minister, said he personally did not like the phrase about the central bank operating "in the framework of" general government policy, and that he hoped it would be struck out when the EC moved to monetary union. If Maastricht was never fully ratified, France's plan for an autonomous central bank would still stand, be stressed, because that form of central banking had proved its anti-inflation

worth around the world.

De-coupling the Bank of France
plan from Maastricht in this way may also make it more palatable to a parliament which contains - chiefly in Mr Balladur's own RPR Gaullist party - more than 100 deputies who voted against the EC treaty in the referendum last September, Mr Balladur, however, still has an enormous majority and pro-EC remnants of the Socialist party to push the plan through. Part of his appeal is to give the new

France gets its Bundesbank, but a Gallic one

institution distinctively Gallic col-ours. In contrast to the Bundesbank whose main responsibility is monetary policy, the Bank of France would, in general terms, have all its multifarious activities intact. Its 17,000 employees supervise commercial banks, compile corporate data, run the payments clearing system, even provide management advice to industry and conduct some private banking.

But inside the central bank would he created what Mr Alphandéry termed the "sanctuary" of a Monetary Policy Committee (MPC), It would have nine members - the bank governor and his two deputies (appointed

for renewable six-year terms), plus six The latter would be appointed by the government from a list of 18 proous offence). No MPC member could have another joh during his term, or anything but a public function for three years after retiring. The draft contains no definition of price stability. That, said Mr

judicial institutions for staggered

nine-year terms which could not be renewed or revoked (except for seri-

Alphandery, would be for the MPC to judge, just as the Bundesbank council does. It clearly states the government would still take overall exchange rate decisions concerning EMS parity changes or fluctuation hands, and that the MPC would decide day-to-day interventions in the foreign exchange markets.

But, as with Maastricht itself, this still leaves a grey zone. Who, for instance, would decide exactly where the franc should be within its EMS

The plan contains no mechanism to arbitrate hetween government and bank. To have included this, said Mr

ers representing "the live forces of the Another ambiguity is in accountability. The draft statute's only stipulation is that the central hank governor continue to make his yearly report to the president. But Mr Alphandery said be expected the gov-

pre-empt the consensus he hoped

would emerge. However, the minister

said he hoped the MPC would not be

stacked with "the Parisian monetary

intelligentsia" but have its six outsid-

ernor to testify to parliament at least twice a year as his US counterpart did, and to develop an open press pollcy like the Bundeshank. "This will be a plus for our democracy." he said.

The draft plan also clarifles the existing division of labour between the Finance Ministry and the central bank on regulation of commercial banks - who themselves have won a minor victory. The Bank of France is no longer to seek to add to the 100,000 private accounts it holds for individuals (many of them central hank vided by various parliamentary and Alphandéry, would have appeared to employees) and companies.

eral economic policy", Ex-Communists accused over Italian kickbacks

By Halg Simonlan in Milen

required it to do?

magistrates ITALIAN Investigating kickbacks to political parties made two new arrests yesterday which further implicated the former Communist party in the widen-

Legal authors regime

1. Exchangets for

2. sectary growth

Proposed changes

* No monetary target

ing and carrying out" the country's monetary policy.

It was, in fact, in those terms that

President François Mitterrand and

France's constitutional court raised a

last-minute hitch to the change in the

central hank's statute. Could a French

government, charged by the constitu-

tion with running national policy, cut

adrift so important an institution as

the Bank of France - created hy Napo-leon in 1800 and fully nationalised in

1936 - before the Maastricht treaty on

economic and monetary union (Emu)

A compromise was found at a cabinet meeting on Monday. Article 1, the

most important of the 33-article draft

law, states that the bank will operate

monetary policy "with the goal of

ensuring price stability" and "in the

framework of the government's gen-

Chancing key interest rates Central bank

ing corruption scandal.
The ex-communist Democratic Party of the Left (PDS) until recently has been relatively untouched by the corruption inquiries.

Magistrates arrested Mr Ren-

ato Pollini, former administrative secretary of the Commu-nist party, and Mr Fausto Bartolini, ex-director of a building company associated with Italy's powerful co-operative movement, as part of inquirles into alleged kickbacks from the

state railway system. The arrests followed the issue of 14 cautionary warrants on Monday against businessmen and Transport Ministry officials. The accused are alleged to have connived in an

arrangement to split kickbacks on railway orders hetween Italy's main political parties. Among those sought by the magistrates are Mr Franco Ferlin, an adviser at the time to Mr Carlo Bernini, a former transport minister.

The PDS is tighting to defend its image after a recent stream of leaks and arrests have bers participated in schemes involving kickbacks on publicsector contracts. The party has

sabena °

depled receiving kickhacks from companies dealing with the railways in the period up to 1988 when it had a member

on the rail board. Mr Pietro Tognoll, a Bergamo husinessman, was arrested last week on allegations of having paid a 3 per cent kickback on a L200hn (£85m) contract for track sleepers. According to subsequent press leaks, 60 per cent of the L6bn kickback was shared between the Christian Democrats (25 per cent), Socialists (15 per cent) and PDS (20 per cent), while the remainder went to government officials. The PDS has denied any

involvement.

Mr Pollini, 63, was a communist senator between 1983 and 1992 and former administrative secretary for the party. Mr Bartolini is a former director of Conaco Costurzioni, until recently the umbrella organisation for Italy's construction co-

ficult to implement than expec-

But the radical reform of

property relations bad been

accomplished successfully and

A committee of the chamber of deputies, the lower house of parliament, put off until next week hear-ings on lifting the parliamentary immunty of Mr Bettino Craxi. former Socialist party leader, and Mr Mr Claudio Martelli, a prominent ex-Socialist and former justice minister.

The hearings cover three requests from magistrates to investigate Mr Craxi and one in the case of Mr Martelli.

Poland to

bank debt

payments

By Christopher Bobinski

Warsaw yesterday.

POLAND is to resume limited

interest payments on its \$12.1bn (£7.8bn) debt to west-

ern commercial banks on May

20, Mr Krzysztof Krowacki, its chief debt negotiator, said in

The resumption of monthly

payments of \$5m, or 10 per cent of the interest due, fol-

lows a round of talks with the

hanks in London last week. The annual interest payment of \$60m is equivalent to the

payments Poland made on a

\$1.1bn revolving credit dating

from 1983 which it stopped

servicing in January.
Poland, which ended interest

debt burden in a deal compara-

ble to its 1991 Paris Cinb

payments in 1995 of around \$1.3bn a year on its reduced debt of \$27bn.

Mr Krowacki said Poland is

seeking a London Cinb agree-ment allowing it to buy back a

restart

PM defends pace of Czech reforms

By Patrick Blum in Prague

CZECH economic reforms have progressed well, but Prague faces difficulties in its relations with western Europe, according to Mr Vaclav Klaus, the

republic's prime minister. We are not facing an economic crisis, the worst is behind us." he said in an interview with Lidove Noviny, the Czech daily. He rejected fore-casts of a sharp rise in unemployment and difficult times as economic reforms take hold.

Mr Klaus said some reforms had been delayed for practical reasons and not for lack of will to transform the economy. The recent introduction of a bankruptcy law had been delayed by at least six months because of the dissolution of the former

without social upheavals, Mr Klaus continued. "In all coun-tries of central and eastern Europe [social instability] has been much worse." He was more cautious about the Czech Republic's relations with the European Community. "I am a Euro-pessimist," Mr Klaus said, noting what he saw as the growing power of protectionist lohhies within the

Community. Prague wants to join the Community this decade, but officials have been increasingly irritated by EC cellings on Czech and other east European exports to the Community. Czechoslovakia. Housing reform had also been more dif-These limits affect steel, textiles and agricultural produce.

THE OLYMPIC **CONTENDERS: MANCHESTER**

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FT SURVEYS

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Croat forces EC pushes 'safe areas' option in Bosnian onslaught

By Laura Silber in Belgrade and Agencies

Hugh Cames

BOSNIAN Croat forces yesterday ignored United Nations warnings and their own ceasefire pledges, pressing on with their military campaign forcibly to forge a separate state at the expense of

Boșnia's Moslems. Fighting between Croats and Moslems intensified in southwestern Bosnia's main city of Mostar, with some 60 rounds of heavy artillery falling on the area in a one-hour period and gunfire continuing throughout the day, the UN said.

Bosnian Croat forces are attempting to seize control of the west bank of the Neretva River, which runs through the city, and have captured the Bosnian army's local beadquarters. Under the Bosnian Croat vision of a "Greater Croatia" the Naretva river would be its eastern boundary.

General Philippe Morillon, the UN peacekeeping force commander in Bosnia, was making for Mostar last night with the commanders-in-chief of the Croat militia and Moslem-led Bosnian government forces to try to rein in the combatants, the UN said.

UN officials said they were concerned about Moslem civilians reportedly cleared out of their homes in Mostar by Croat

forces.
With international attention focused on the refusal by Bos- 50 km north-east of Mostar.

nian Serb leaders to accept the Vance-Owen peace plan, Croats appear to be making their own land grab. Confident that they can push on with impunity, the Croats and the Serbs have nearly completed the carve-up

Mr Mate Boban, the Bosnian Croat leader who takes instructions from Zagreb, was the first to endorse the Vance-Owen plan which aims to preserve a single Bosnian state, divided into 10 provinces.

The HVO, the military wing of the Croatian Democratic Union, the ally of Croatia's ruling party, eagerly approved the plan because it designates as "Croat" provinces next to Croatia. They appear con-vinced that over the next few years the provinces can be annexed to Croatian territory. aven if the plan is implemented. The Croatian dinar is already in circulation and the Croat's checkerboard flag flies in western Hercegovina.

Mostar, badly damaged by Yugoslav army bombardments last spring, was designated the capital of the self-proclaimed Croat state of Herceg-Bosna. The continued fighting has

blocked off the main land route to central Bosnia, cutting off some 1.3m people dependent for survival on humanitarian relief convoys. The UN also reported serious shelling and heavy machine-gun fire in the dispute Jablanica-Konjic area,

Lionel Barber reports on the US-European row over how to end Bosnia's civil war ELATIONS between the European Community and the US may have reached a turning point as both sides struggle to bridge divisions over how to end the

civil war in Bosnia. These differences have largely been papered over, mainly because EC governments themselves have been torn over whether to support the use of force to halt the

Their call on Monday to the US - and Russia - to sand troops to bolster the United Nations peace-keeping force in Bosnia represents a stiffening of opposition to US plans to arm the Bosnian Moslems. It challenges Pentagon military doctrine - that US ground forces must be under US control and have a clearly defined mission, preferably backed by overwhelming force. Above all, it contradicts the US belief that the Vance-Owen peace plan is

To be sure, the allies are still hiding behind diplomatic code that "all options, including military, remain open". But this may obscure a more subtle shift in transatlantic relations. During the Cold War, the US took the anti-communist lead and a grateful Europe usually followed; now, a newly formed Anglo-French alliance has taken a lead of sorts and called on the Americans to fall into line, ironically with ground forces belonging to the old

enemy, Russia. France and the UK are the chief contributors to the UN peace-keeping force in Yugoslavia, with about 6,000 troops in place. Their great fear is that the US preference for arming the Bosnian Moslems and



Brussels official. So what is the

bombing Bosnian Serb targets would put their own forces in the line of fire, ending all pretence of UN neutrality and most likely leading to a humiliating withdrawal.

Mr Warren Christopher, US secretary of state, who toured European capitals last week, was left in no doubt that to pursue plans to lift the nbargo would lead to a split in the alliance. According to a senior UK official, the British goal was to kill at all costs the plans to arm the Bosnian

EC officials say the US secre-

eager to hear about the European game-plan for ending the European strategy? Bosnian conflict than pressing the US military version.

The view that Yugoslavia is their bets on President Slobo-

a problem for the Europeans rather than the Americans - as was held by the Bush administration – also amerged during last week's talks between President Bill Clinton and a bigh-level BC delegation headed by Mr Poul Nyrup Rasmussen, Danish prime minister, and Mr Jacques Delors, European Commission president. "Some of the US (mili-

dan Milosevic and his transformation from war criminal to champion of the Vance-Owen plan. They believe sanctions are responsible for the conversion, and they aim to capitalise on the split between Mr Milosevic and the recalcitrant Bos-

First, EC leaders have placed

The next step is to test the Serbian president's pledge to seal the border, possibly using the former Yugoslav army

foreign minister, calls this the policy of "asphyxiation". The second goal is to expand UN-led 'efforts to create "safe areas" for the Bosnian Mos-lems, consolidating the fragile ceasefire in six Moslem towns.

The model is Srebrenica, where 150 Canadian troops negotiated passage into the town and persnaded Serbian artillery to hold fire. The UK's threat to bomb the Serbs if they attacked may have been a further incentive. French officials argue that securing "safe areas" would provide the building blocks for implementation

right calls for border revision

Hungarian

By Nicholas Denton In Budapest

NATIONALIST members of Hungary's parliament have refused to renounce Hungarian tarritorial demands against Ukraine, indicating that border issues will continue to dog the country's foreign policy.

A treaty confirming the existing border between the neighbours has inspired resistance from a far-right minority within Hungary's governing conservativa coalition. The bilateral agreement with the Ukraine was ratified yesterday by a large majority after a tortuous parliamentary passage.

Earlier in the week rebel MPs argued for the revision of borders with one calling for the "peaceful reunification" of the Carpathian basin, the extent of Hungary until 1920.

The government argued convincingly that the agreement, by enshrining rights for Okraine's Hungarian minority, was worthwhile. Those openly seeking the return of territories are a small minority both among MPs and the Hungarian

population as a whole. Nevertheless, this week's acrimonious debate has drawn attention to the lingering bitterness that most Hungarians feel about the loss of two-thirds of the country's territory after the first world war - land in which more than 3m ethnic Hungarians still live.

Hungary's current political wrangling over the accord with Ukraine moreover foreshadows potentially graver disputes with other neighbours. Budapest, which has prided itself on model ties with Ukraine, starts from a far worse position in treaty talks with Romania, Slovakia and, eventually, Serbia.

Hungary and Romania, in which about 2m Hungarians live, are deadlocked on the same issue of border guaran-tees and have failed to conclude a basic agreement.

Budapest argues that it adheres to the multilateral Helsinki agreements which renounce the modification of frontiers by force and that this

Germany questions its role as Zagreb's chief supporter

By Judy Dempsey in Berlin

CROATIA'S military support for the Bosnian Croats will come under sharp criticism when Mr Klaus Kinkel, Germany's foreign minister, makes his first visit to Zagreb on

During talks with President Franjo Tudiman and Mr Zdenko Skrahalo, tha Croatian foreign min-

ister, Mr Kinkel is expected to ask why Croatia continues militarily to back Mr Mate Boban, head of Bosnia's Croats, and the new offensive against Moslem forces in western

The visit coincides with greater mestioning in the German media about Boun's decision to push through the European Community's recognition of Croatia's indepen-

dence in January 1991. That policy, spearheaded by Mr Hans Dietrich Genscher, the former foreign minister, punctured any semblance of unity among EC states about how to deal with the unfolding crisis in the former Yugoslavia.

Mr Kinkel, however, has become more openly critical about Croatia's military involvement in Bosnia-Hercegovnia, and Croatia's attempts

the Krajina area of south-western Croatia which, although a UN pro-tectorate, is run by Serb nationalists seeking autonomy from Zagreb.
"Mr Kinkel will keep stressing the

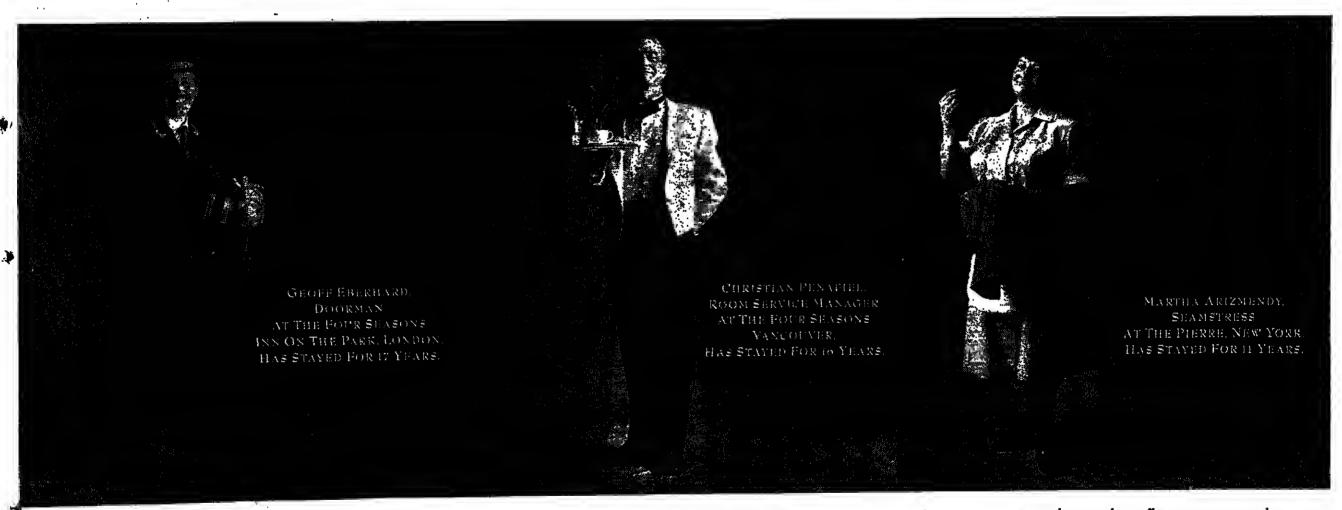
need for a negotiated settlement as a means of stopping the war, The longer the war continnes, the more Germany will have to bear the hrunt of the refugee problem," a

earlier this year to regain control of Foreign Ministry official in Bonn countries in providing humanitarsaid. But requests for German economic aid to reconstruct the Croatian economy are unlikely to be high on the agenda as long the area remains unstable.

More than 460,000 refugees from in Germany in the past 18 months. At the same time, Germany has been at the forefront among EC

ian aid to Croatia, which includes financing a hospital in Karlovac, south of Zagreb, and setting up a food and medical distribution network in the republic and extending into Bosnia. Bonn has already allocated direct humanitarian assistance totalling DM155m (£63m), in addition to DM196m towards EC aid

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Rabin hangs on to coalition partner Nigeria in new

By Judy Maltz in Jerusalem

THE CRISIS threatening the fragile coalition of Mr Yitzhak Rahin, Israeli prime minister, was temporarily suspended yesterday after Mr Aryeh Deri, interior minister and leader of the ultra-religious Shas party, agreed to rescind his resignation from the government.

Had the resignation gone into effect all five members of the Shas party would have pulled out of the coalition, leaving Mr Rahln with only a tiny majority in parliament.

While the hreak-up of the coalition would not have hrought about the collapse of the government, it would have severely limited Mr Rabin's flexibility and denied him the hroad base of support he seeks in parliament to push through tough decisions regarding the peace process.

bead on Sunday when Mr Deri tended his resignation after Mrs Shulamit Aloni, the education minister and head of the left-wing Meretz party, refused to respond to his ultimatum that she leave her post.

The ultimatum was issued following a series of remarks made by Mrs Aloni, which Mr Deri and party colleagues said were offensive to the religious.

Mr Rahin yesterday proposed

a temporary solution under which both interior minister and education minister will hand over their portfolios to the prime minister for the coming week, during which time a portfolio exchange among government ministers will he worked out to the satisfaction of Meretz and Shas.

If a permanent solution is not found within a week. Mr Rabin is likely to begin seeking new partners for the coalition among other parties.



Prime Minister Yitzhak Rahin shares a laugh yesterday with Education Minister Shulamit Aloni, who has agreed to accept a different cabinet post to appease leaders of the Shas coalition party

The coalition crisis came to a among other parties. Who has agreed to accept a different cabinet post to appease leaders of the Shas coalition party Confidence is casualty of Sharif's fall

Pakistan's businessmen are wary of future of reforms, writes Farhan Bokhari

B USINESS confidence is emerging as one of the principle casualties of the recent downfall of Pakistan's reformist prime minister, Mr Nawaz Sharif.

Mr Nawaz Sharif.

"It's like the train has slowed down incredibly because the driver has left," was how one leading banker recently summed up the mood.

Pakistan's interim government, which has promised to hold national elections on July 14, denles that newspaper reports of large-scale withdrawals from foreign exchange bank accounts in the country reflect a nervousness among savers.

Signs of fatigue continue to hamper stock prices on the Karachi Stock Exchange, the country's leading stock market. While the market has recovered its level before Mr Sharif's dismissal, businessmen do not see this as a sign of any larger recovery of confidence.

The uncertainty centres on the future of economic policies and the outcome of political developments. A programme of economic reforms was at the heart of Mr Sharif's agenda whose 29-month-long government was sacked on April 18 hy Mr Ghulam Ishaq Khan, the Pakistan president, for alleged corruption.

Mr Farooq Leghari, the new finance minister, has said all economic reforms will remain intact and has promised to press ahead with liberalisation policies. Many husinessmen accept that Mr Sharif's reforms will not be reversed, because that would further damage the economy. But there are fears of a slowing down in the pace of future reforms.

Businessmen also point to macro-economic problems and political uncertainty as well as statements from the new government that the cases of factories privatised under Mr Sharif will be reviewed to consider allegations of corruption.

Mr Arif Hahih, president of the KSE, sald: "Whenever a

the KSE, sald: "Whenever a government changes, the investors have apprehensions about future policies." He said the short-term nature of the government which replaced Mr Sharif did not help to ensure continuity in policies. "Uncer-

agenda tainty will prevail till after the govern-elections," he said.

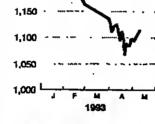
April 18 Mr Tahiq Khaliq, president of Karachi's chamber of com-

Mr Tahiq Khaliq, president of Karachi's chamber of commerce and industry, said:
"New commitments [from businesses] have slowed down hecause of uncertainty." He expected few changes to take place until investors saw an elected government come to

Last week Daewoo, the South Korean conglomerate, said it was holding back on plans to invest up to \$400m (£259.7m) In an industrial complex in Karachi until after the elections.

On the economic front, an on-going recession in the textile sector plus a growing budget deficit has also added to the fears. Textile stocks make up roughly a third of the 643 companies registered on the KSE. Projections of low profitability, especially in the spinning sector, have pushed down share prices, leading stock brokers said.

The interim government has announced a relief package for the textile sector, with concessions on some duties, but it is Pakistan KSE-100 index 1,250



too early to say how much of a hoost this will provide. The KSE index rose nearly 10 points yesterday as a result, hrokers said.

The hudgetary deficit for the fiscal year ending in June Is expected to exceed Rs100bn (£2.43hn) compared with a target of Rs65bn. Mr Leghari recently described the deficit as "problem number one" and appealed to husinessmen to help resolve the country's economic problems.

omic problems. His task of re-establishing confidence has become more difficult with signs of conflict between key members of the interim government over the future of the country's four

provincial assemblies.

It has raised fears that Ms
Benazir Bhutto's opposition
People's Democratic Alliance
may pull its ministers out of
the cabinet.

Mr Mian Hahibullah, president of the Federation of Pakistani Chambers of Commerce and Industry, said he opposed any review of the previous government's privatisation efforts, adding that "people [businesses] invested in good faith".

Other businessmen said such a review would only increase investors' fears and could make it difficult for any future government to privatise the country's deficit-ridden public sector industries.

Many other businessmen are

convinced that if the new government does not move quickly to establish fresh confidence through fiscal incentives and further commitments to continuity of policies, signs of fatigue may spread.

See World Stock Markets

Nigeria in new bid to agree debt relief deal

By Paul Adams in Abuja

MR ERNEST Shonekan, head of Nigeria's Transitional Council, will try to revive the quest for official deht relief when he arrives in Paris for informal talks with the French government and the Paris Cluh tomorrow.

His attempt to agree a medium-term economic strategy with the International Monetary Fund before he leaves office following elections in August is threatened by a deep split over the handling of the exchange rate hetween the Central Bank of Nigeria and Mr Oladele Olashore, finance minister.

The latest round of talks with an IMF and World Bank team ended in stalemate earlier this month, when Mr Clashore offered no positive action to float the naira or remove the domestic subsidy on petroleum products, both pre-conditions of an Enhanced Structural Adjustment Facil-

Although exchange rate policy is the responsibility of Mr Ahdulkadir Ahmed, governor of the central bank, Mr Olashore has insisted on the need to control the parallel market, where the naira is worth about 70 per cent less than the official rate of N21.99 to the dollar.

The IMF is also dissatisfied hy the Nigerian delegation's fiscal stance for toe first quarter of 1993, according to those close to the talks. Nigeria has reported revenue of about N31hn (£940m) to the end of March, about N6hn below hudget projection, in spite of higher than forecast oil prices and production levels. The Fund estimates that revenue was around N45hn for the period and wants to see full disclosure of oli proceeds by the state-owned Nigerian Nat-

lonal Petroleum Corporation.

The probable source of the discrepancy is the oil revenue which goes directly into "dedication accounts" to pay for large infrastructure projects and the military campaign in Liberia. The Fund has asked

for a breakdown of expenditure and a review of existing commitments, especially projects which contribute little to productivity or could be taken

over by the private sector.

Mr Shonekan has tried to bring the dedication accounts into the overall hudget through the fiscal co-ordination committee, which he chairs. He has also set up a budget monitoring committee composed of experts outside government to review fiscal performance and recommend changes in budget allocation.

The latest round of talks with an IMF and World Bank team ended in stalemate earlier this month

The budget committee is due to disclose its first report on Tuesday The IMF is also looking for more action by the government

to mop up excess liquidity and suspension of additional borrowing.

Government borrowing has been the main cause of infla-

been the main cause of inflation, which is more than 60 per cent a year, and has reduced the supply of foreign exchange to the private sector. During the first two months of 1993 the government has

of 1993 the government has slowed the growth of hroad money supply, which reached 56 per cent in 1992, and aggregate credit feli 6.5 per cent during the same period as a result of firm controls on spending.

Mr Shonekan will be accompanied to Paris hy Mr Ahmed

hut not by Mr Olashore, who is that not by Mr Olashore, who is attending the African Development Bank's annual meeting.

Mr Shonekan's team is running out of time if it is to achieve its goal of setting out a shadow IMF programme which the incoming civilian regime can follow when it takes over on August 27.

S African murder plot claim

THE AFRICAN National Congress said yesterday that white right-wingers were plotting to assassinate its leaders and derail democracy talks aimed at ending white minority rnle in Sonth Africa, Reuter reports from Johannes-

burg.

It said one of the conspirators had confessed to police
last week he had heen
involved in a plot to kill Mr
Joe Slovo. Communist party
chairman, who is also a top
white figure in the ANC.

The movement accused the police of not informing Mr Slovo even though they knew of the plot. Police earlier said they believed there had been a conspiracy to kill Mr Chris Hani, Mr Slovo's Communist party colleague, who was assassinated on April 10.

Yemen's ruling parties to merge

The two parties that ruled North and Sonth Yemen until the country was reunited three years ago have agreed to merge into a single political party that would have an absolute majority in Yemen's newly elected parliament, Reuter reports from Sonza

ter reports from Sanaa.

The accord was signed hy President Ali Abduliah Saleh, feader of the General People's Congress, and Vice President Ali Salem al-Baidh, who heads the formerly Marxist Yemen Socialist party. Together they could muster at least 164 seats of the 301 in parliament.

Sudan-Egypt border row flares

Sudan said yesterday it was mobilising to face a border dispute with Egypt which threatened regional security. Reuter reports from Cairo.

Sudanese radio, monitored by the BBC, quoted Mr Ghazi Salah al-Din, Sudanese minister of state at the presidency. "He reviewed the latest developments in the Halaib issue and sald Sodan would be taking mohilisation measures in this regard," the radio said.

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rights call for indigenes

INDIGENOUS people suffer September 1990 because they grave human rights abuses including massacre and torture in more than 70 countries. Amnesty International said yesterday, Reuter reports.

They have been massacred and terrorised, forced from their ancestral lands, caught up in hitter civil conflicts, and left without redress for the ahuses they suffer," the London-based human rights organisation said.

The United Nations has designated this year as International Year of the World's indigenous People, and will hold a UN conference on human rights in Vienna in

But for the 300m indigenes from Vietnam to the US threatened hy rights ahuses, this may not be enough, the Amnesty report said.

"Unless the international community acts urgently there is a danger the UN's international Year will. . . pass without significant progress towards protecting indigenous people," it said.

These people are often caught up in the crossfire between government troops and armed opposition groups, the group said

In Peru, indigenous people have suffered torture and killing on a massive scale. Security forces killed villagers from several small communities in refused to join civil defence

patrols.
"Cases like this, where those guilty of killing, abducting and torturing indigenous peoples are shielded from justice, are common in many countries around the world." Amnesty

Human rights ahuses in Bangladesh, India and Sudan were also cited in the report. In Brazil, an Indian leader was shot dead last December because he opposed logging operations inside indigenous areas. His killer was identified hut not

Last April scores of tribal villagers in Bangladesh were reportedly shot dead by armed civillans and paramilitaries who had set fire to their homes. Bahies were snatched from their mothers' arms and thrown into the flames, Amnesty said.

Indigenous people were tor-tured or killed by hired gunmen for their lands and this was often done with the tacit support of the authorities, the

report said. But it was not only third world countries which were criticised in the report. Ahorigines in Australia were arrested at a rate 29 times higher than that of other Australians, and reports of police harassment were widespread.

Amnesty in | Afghans fuel war on ex-Soviet territory

Tajikistan's Islamic rebels find ready allies to take on former communists, writes Steve LeVine

OLLOWING a month of combat training, Ismatullah was posted as a guard outside a new office in the Afghan city of Talogan - the headquarters of the Islamic Renaissance party of Tajikistan. However, he is unlikely to be there for long. He and hundreds of other Tajiks, assisted by Afghan leaders, plan to return to their native country. 50 miles north,

to try to depose the former Soviet government. "When the snow melts, in about a month, we will go back to Tajikistan and fight," Ismatullah said. A comrade named Manon agreed: "People think communism has been destroyed. But they are being stupid. It is still

alive in central Asia. But if we

are victorious, it will die." Until a year ago, when Afghanistan's government fell in an Islamic revolution, Taloqan was the guerrilla headquarters of Mr Ahmad Shah Massoud, known as the "Lion of the Panjshir". Since then, however, Mr Massoud has become the Afghan defence minister, and has opened his capital to like-minded friends in ex-Soviet Tajikistan. There, the Tajiks receive uniforms, weapons and training, along with encouragement to emulate the successful Afghan



Some 60,000 Tajik refugees have now fled to Afghanistan since the civil war began a year ago

revolt. "To stop the hloodshed and make the region stable, the whole world should help us remove these handits from power," said the IRP leader, Mr Saeed Ahdullah Noori, 45, a soft-spoken Islamic scholar. "We are asking the United

States to pressure the government to step down and allow the people to decide their fate through elections." Through their backing for the rebels in the year-old Tajik civil war, the Afghans have broadened the conflict, attracting foreign

military backing to both sides. Fearing the Islamic-led rebels, Russia and Uzbekistan have given armour and MiG fighter aircraft to the Tajik government in Dushanbe.

Thousands of Russian and troops from neighbouring

Uzbekistan are also massed on Tajikistan's southern border, the Amu Darya river, to block the Afghan-based rebels from returning home to fight.

Hostility toward the Uzbeks is already apparent among the 60.000-strong Tajik refugee population in Afghanistan, forced from their country as suspected opposition supporters. Tajikistan and Uzhekistan share large populations of each other's ethnic gronps, and long-feared violence between them could flare at any time.

A Tajik named Ahdul Kahor for one, cannot forget how his village of Shartus was attacked. "Their tanks and helicopters pushed all of Shartus towards the border. Uzbeks from Shartus helped. Many of us drowned in the river," he said. "Now we are thinking of

revenge."
The Tajik republic of 5m peo-ple has been racked by clan warfare since the Soviet Union dissolved in 1991 and the republic gained its independence. The fighting has pitted regional clans associated with democratic and Islamic forces such as the IRP against others connected with the former communist leadership.

The hardliners finally consolldated power in December, after thousands of Tajiks died and 350,000 were displaced. including those who fled to Afghanistan. Like all of Afghanistan's key figures, Mr Massoud insists he provides only humanitarian aid to the Tajiks. But IRP fighters in Talogan said Mr Massoud's Shura Nazar (supervisory council). provided their two-acre compound, their military training and weapons.

The meu's crisp, new fatigues are identical to those worn by Mr Massoud's men in the Afghan capital of Kabul. Mr Massoud has had little choice. He is himself an ethnic Tajik, and is not alone in supporting the rebels.

Ald also comes from the Arab-financed Afghan parties lttehad-i-Islami and Hezb-i-Islami. The latter is run by Afghanistan's prime minister designate, Mr Gulbuddin Hekmatyar.

"We have already trained ahout 1,000 of them," Mr Mohammed Zaman, a Hezb-i-Islami leader, said. "If this is really an Islamic government, we should help our hrothers. Most of the people who have been trained have already gone back to Talikistan."

If the Russlan and Uzhek support continues, the Tajik rebels will face a difficult time against superior forces.

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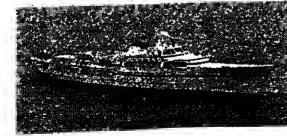
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Japan to reaffirm UN commitment

MR Kiichi Miyazawa, Japan's prime minister, is expected today to deliver a strong reaffirmation of the country's commitment to the United Nations peacekeeping operation in Cambodia, as opposition demands for an immediate pull-out intensified.

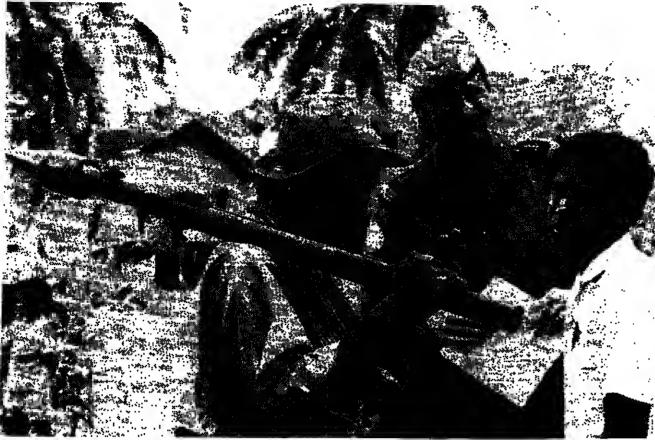
The Japanese government has been under extreme pressure since the killing last week of a civilian policeman in an amoush, and Mr Miyazawa has been advised to make an address that shows the government is both concerned about the safety of the peacekeepers and is committed to the UN operation.

However, the National Police Agency, which has responsibility for the 75 civilian police officers sent to Cambodia, continued to argue yesterday with the United Nations Transitional Authority in Cambodia (Untac) over the duties given to Japanese officers.
Officials at the NPA say Jap-

anese police, who are not carring arms, have been given nuappropriate responsibilities such as acting as bodyguards and, in some cases, have not been given sufficient water or provisions by the UN authori-

Relations between Untac and the NPA have been strained since about eight Japanese police officers returned to Phnom Penh, the Cambodian capital, without official approval after the killing of the Japanese officer. The police officers have since returned to their posts.

A Japanese television news programme poll of 690 people last weekend found that 52 per



French UN commander Capt Michel Jourdan with militiamen after a Khmer Rouge attack near Puck in the north-west of Cambodia

military personnel should be withdrawn, while 37 per cent believe they should remain in the country.

The killing of the officer has stirred dehate over whether the conflict in Cambodia now fits the five principles which supposedly govern Japanese participation in international peacekeeping operations. One of those principles is that a

ceasefire agreement is in place, and opposition parties say the Cambodian ceasefire has col-

Meanwhile, a six-member advance party left Tokyo yesterday for Mozamhique, where 48 Japanese military personnel are due to assist in another UN operation.
The other members of the group are due to leave before the end of this month and will co-ordinate transport

 Mr Goh Chok Tong, Singapore's prime minister, yesterday suggested that China will not he a significant military threat to the region over the next five years, but he warned that the country's rapid economic growth could be accompanied by an expansion of mili-

tary ambitions in about 20

years' time. In a meeting with Mr Toshio Nakayama, the director-general of Japan's Defence

Agency, the prime minister said that the US-Japan-China triangular relationship had to remain stable to ensure that China had no incentive to build up its military capabll-

its coastal waters.

UK and China sanctuary agree on HK land sale for today

ANGLO CHINESE relations

hriefly returned to normal yes-

terday when British and Chi-

nese officials agreed to the release of 127.8 hectares of land for sale in the 1993-94 financial

included in this year's land

disposal programme Is 45.59 hectares for the Black Point

power_station, located in the

New Territories, which is due to come on stream in 1996. It

will be fired by natural gas

piped from a gas field near

The result of the meeting of the Sino-British land commis-

sion cheered the Hong Kong

stock market. The Hang Seng

Index rose 102.74 points to end the day at 6,841.97. However, British officials

cautioned against too much

optimism. Although the agree-

ment was greeted with a mea-

sure of relief, they pointed out that China henefited directly

Haman Island.

By Simon Holberton in Hong Kong

A CONTROVERSIAL proposal for a whale sanctuary in the southern oceans is due to be roted on today by the international Whaling Commission, whose members were hitterly divided yesterday over whether the proposal has 'scientific merit".

Whale

vote set

By Robert Thomson

French delegates, aware that an original proposal for an indefinite sanctuary would fail, now propose that the IWC, holding its annual meeting in Kyoto, should introduce a 50-year sanctuary which can be reviewed in 2003.

However, Japanese officials said the proposal, which needs approval from a three-quarters majority of the 32 countries represented, was "unscientific" and beyond the brief of the IWC. They were confident of mustering at least 10 votes, which would be enough to

defeat the proposal. The sanctuary, which has support from the UK, the US and Australia, would cover the area south of the 40th parallel in the waters around Antarctica. It would apply to all whale species, though it may not necessarily include the "research whaling" currently conducted hy Japan, which takes about 300 whales a year in the region.

Japanese officials said the IWC had estimated that there were ahont 760,000 minke whales in the sonthern oceans. One representative said Japan was likely to receive support from a range of countries including Sweden and Mexico.

While the IWC's scientific committee found that the population of minke whales is large enough to allow limited catches, the committee also condemned Japan for the harvesting of striped dolphins in

The committee advised last year that there should be an "interim halt in all direct catches of striped dolphins", hut Japan admitted at least 1,000 striped dolphins were taken in 1992, and harvesting was continuing this year.

from Hong Kong land sales and that it had no Interest in undermining the colony's property market.

Under the terms of the 1984 joint declaration, half of the proceeds of land sales in Hong Kong accrue to the colony's post-1997 government. A special fund set up to manage those proceeds has accumulated revenues in excess of HK\$80hn (£6.6bn).

Still left unresolved by yesterday's meeting was the future development of the colony's container port.

Last year the land commission approved the release of land for the ninth container terminal, hut China rescinded the agreement in retaliation for Governor Chris Patten publicising his plans for wider political participation in the colony.

The land commission was due to meet in March. It was cancelled by the Chinese hecause of the row over Mr

West Australian politician charged

MR RAY O'Connor, a former West Australian state premier, was charged yesterday with stealing and criminal defamation as part of a state corruption investigation, Renter

reports from Perth.
Mr O'Connor, premier in late 1982 and early 1983, was charged with one count of stealing and two counts of criminal defamation. He was released on his own recognisance and will appear in court on Friday when formal charges

will be read. Police allege he stole a cheque for A\$25.000 (£11.300) from the Western Australian Liberal Party in April 1984 and criminally defamed Mr George Cash, now the Western Australian mines minister, between March and April 1987.

If found guilty, he could face a maximum jail term of seven

Mr O'Connor succeeded Sir Charles Court as premier in late 1982, but his Liberal party government was ejected from office in Fehruary 1983 hy the Lahor party under Mr Brian Burke.

Mr Burke also faces criminal charges in a separate case and will stand trial in June on four counts related to A\$17,000 in overseas travel expenses.

Prosecutors allege that Mr Burke, who was later Australian amhassador to Ireland. claimed the expenses even though the travel was paid for

Thai toy factory fire toll rises above 200

By Victor Mallet and William Barnes in Bangkok

MORE THAN 200 workers, most of them women, were killed by a fire in a toy factory on the outskirts of Bangkok on Monday night in one of the world's worst industrial accidents.

Thai officials sald hundreds more were injured and taken to hospital suffering from hurns, smoke inhalation and limbs broken from jumping from the huilding's upper floors.

Many of the dead were found piled np at ground-floor exits or crushed under a collapsed staircase.

Mr Chavalit Yongchaiyudh, the Thai interior minister, said yesterday as more bodies were unearthed from the wreckage that he was establishing a committee to investigate the cause of the fire, the state of the factory huildings and its manufacturing processes.

The factory was operated by Kader

Industrial (Thailand), a subsidiary of Hong Kong's Kader Holdings.

It produced stuffed and plastic toys, including Babar the Elephant and characters from the Muppets television

No outside fire escapes were visible in the wreckage of the three buildings which were destroyed, or on a surviving four-storey hmilding where the toys were stuffed with foam.

Workers who escaped the blaze said there had been earlier fires at the factory. They also said supervisors told them to stay at their posts when Monday's fire was first noticed.

The tragedy has reminded Thais of the price they sometimes pay for an economic miracle" hased on export industries and cheap labour. Hundreds of thousands of Thais have flocked to the Bangkok metropolis from poor rural areas to work as labourers, maids or prostitutes.

Corruption is widespread among lowpaid government officials, and environmental and safety standards are often poorly enforced.

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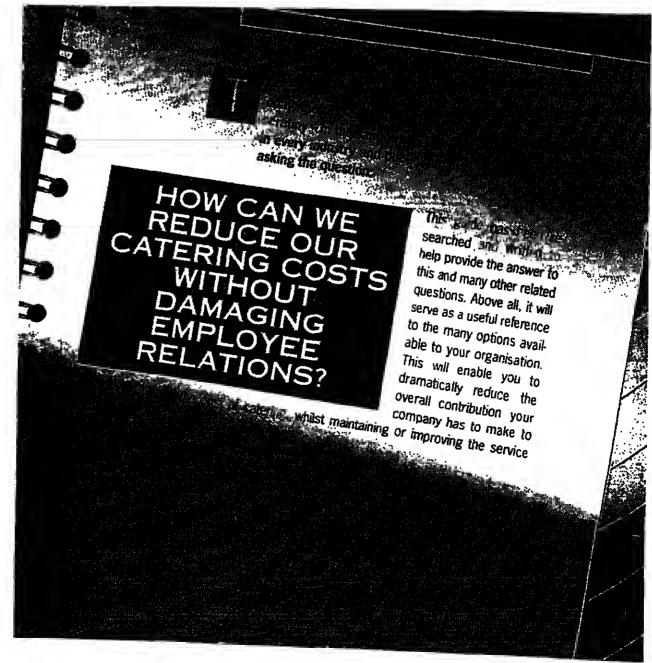
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by the state. They say that he used the money to repay an over-

JAPAN has fired a potentially explosive shot into the ongoing battle over trade with its key trading partners by accusing them of unfair trade practices in a report released by the government yesterday.

The report from Japan. which is often on the receiving end of criticism about its trade practices, aims to counter a widespread perception that it is a frequent violator of international trade rules. It highlighte the extent to which Japan's top 10 trading partners, which are members of the General Agreement on Tariffs and Trade, also resort to unfair trade practices.

The advisory committee to the Ministry of International Trade and Industry, which prepared the report, explains its purpose as being to adopt "an impartial approach to unfair trade practices hy using interoationally accepted rules... [and] to encourage mutual efforts to cope with unfair trade policies hy recognising that all countries employ such policies and measures to some

It is the most comprehensive official response hy Japan to recent criticism by its trading partners of the country's massive trade surplus and the underlying suggestion that the surplus is due to practices that do not conform to international rules.

The report also contains a

Japan's stubborn trade surplus can only be reduced by seeking measurable results in opening

its markets to foreign products.

A results-oriented policy not only lacks objectivity, it mistakenly links trade imbalances directly with inadequate market access, the report states.

The US, which recently identified construction, architectural and engineering services as areas in which the Japanese government discriminates agaiost foreign suppliers, comes in for heavy criticism for its tendency to take unilateral action in retaliation for what it considers unfair trade practices. This, Japan says, is counter to the spirit of multilateral trade forums and counter-productive.

The US is without parallel in imposing measures that force its trading partners to ahide hy unilateral judg-ments," the report states. "In our view, the unilateral approach often only impedes the settlement of problems that are appearing... in the international economy.

The report concludes that multilateral forums and internationally accepted rules are the best way to resolve trade disputes and recommends that the Gatt dispute settlemeot mechanism be used "whenever necessary and feasible".

To that end, a successful conclusion of the Urugusy Round is crucial to ensure compliance with Gatt recommendations and to prevent unistrong rebuttal of the new US
administration's position that
to resolve trade disputes.

Japan mounts Buying an end to Indonesia's logjam

William Keeling on a tortuous route to better infrastructure

T IS the businessman's night- signed. The main stumbling block mare: news that supplies for his factory are delayed by port congestion coincides with a power failure which shuts his plant, resulting in a default on important orders. An overloaded telephone oetwork foils all attempts to contact clients. Tired and out of pocket he heads for home, only to get stuck for hours in a traffic jam.

It is on the cards in Indonesia, south-east Asia'e largest country. where existing infrastructure creeks under pressure of the weight of rapid industrialisation. In its 1992 country report, the World Bank estimated that more than \$70bn (£45.4bn) of investment in power, telecommunications and transport would be needed this

Many businesses have seen it as an

opportunity to offer private sector participation in infrastructure projects. Their first proposals, however, have suffered mixed fortunes, placing in doubt forecasts that the private sector could provide \$25bn in investment before 2000. in 1990, Trafalgar House of the UK was close to agreeing a \$350m Build,

Operate and Transfer (BOT) toll-road project to connect the current motor-way system of Jakarta, the capital, to the city of Bandung, 60 miles south

The contract, however, was not

headed by President Suharto's eldest daughter, foreign banks are reluctant to provide finance unless state controls over tariffs are eased. One project that looks likely to proceed with private sector participation is the launch and operation of two telecommunication satellites. Last month, to the surprise of some gov-

was an Indonesian law that road tar-

iffs can only be set by presideotial

decree. Although some private sector

toll-roads have been constructed hy

Citra Lamtoro Gung, a local company

ernment ministers, a \$128m contract for the satellites was signed between Hughes Aircraft Company of the US and Satelindo of Indonesia. Satelindo is 40 per cent owned by two state enterprises and 60 per cent hy Bimagraha Telekominido, a private company headed by Mr Bambang Trihatmodjo, President Subarto's second son. Satelindo won the right to

own and operate the satellites with-

out an open tender, angering donors who have committed millions of dol-

lars to the telecommunication sector. Ministers say the deal's financing is still uncertain, although Mr B J Habibie, the technology minister, may have used an invitation to the US Exim Bank last week to lobby for export credits. Indonesia's state aircraft company, IPTN, which is run hy

Mr Habibie, is expected to build components comprising up to a third of

the satellites' value. Brokers say Satelindo is planning a Rp700bn (£215m) bond issue oext year and will oeed Rp1,460hn in financing over the next five years.

Less likely to succeed is a private proposal to enlarge Jakarta's main port of Tanjung Prick, in 1990 the state-owned port authority looked at options for expanding the existing

container facilities, with a capacity of about 1.1m TEU (20ft equivalent units) containers, to accommodate demand of 1.5m TEU by 1996 and 2.4m

TEU by the end of the decade. Donors say a BOT proposal was received from a consortium led by the Humpuss Group of Mr Hutomo Man-dala Putra, President Suharto's youngest son, and including Mitsui of Japan and P&O of the UK. The proposal was accepted, without resort to

The project, however, required the resettlement of nearly 40,000 people from a slum area. Concern over how this would be achieved and problems in financing the high cost of the consortium's proposal - the civil works alone came in at \$200m - have hin-

dered progress.

Ministers say the consortium's potential financial backers have withdrawn and an alternative project is likely to proceed under state ownership with funds provided by interna-tional donors. Sufficient new capacity. however, may not be installed in time to prevent shipping companies demanding surcharges to cover delays in using Tanjung Prick.

Problems in finalising private sector deals have also hit power sector proposals. Twelve mooths ego Mission Energy of the US received governmeot approval to build, operate and own two 600MW units of the Paiton power complex, worth \$2bn, after a two-year hattle hy Indonesia's Bimantara Citra Group, also owned by Mr Trihatmodjo, to win the con-

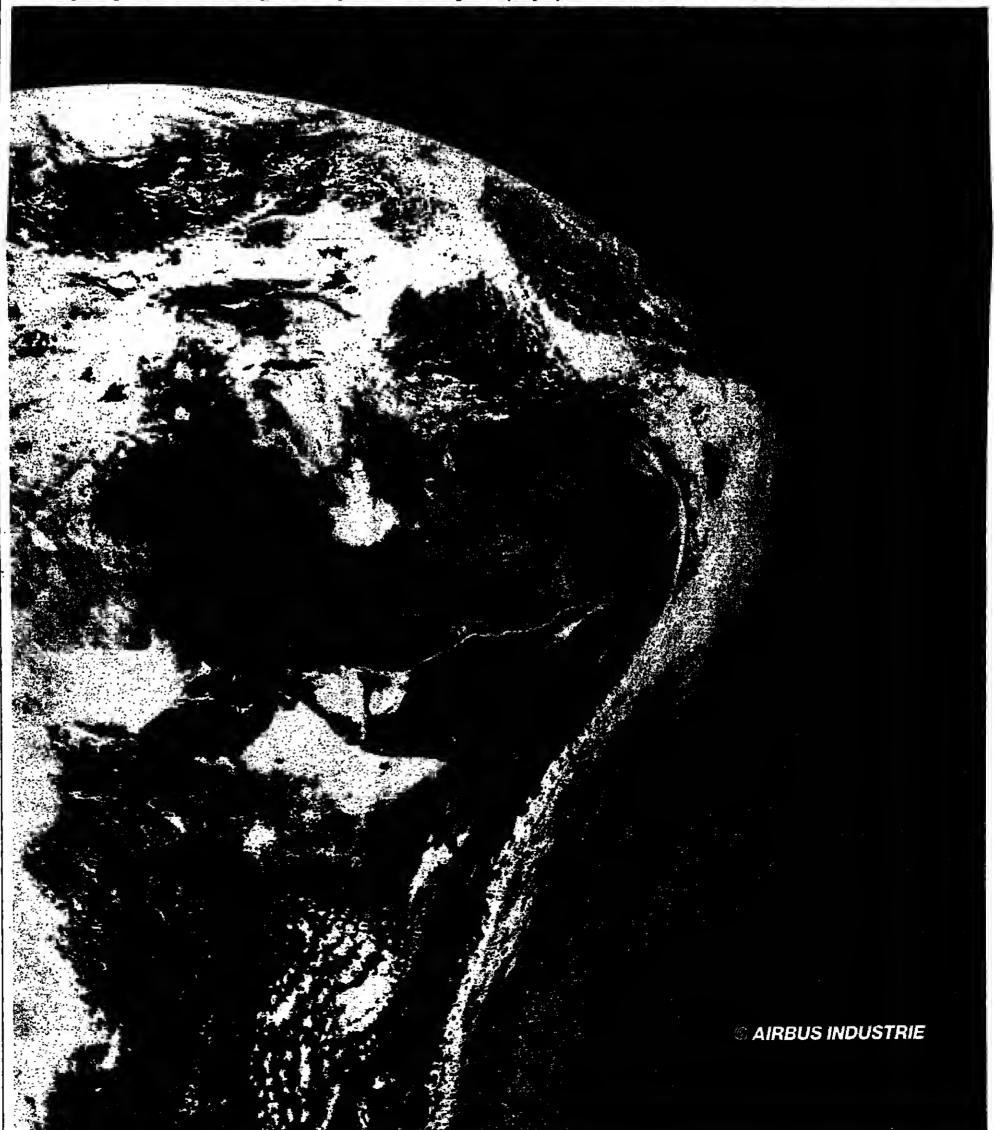
Bimantara Citra has since joined up with Siemens of Germany to bid. without apparent competition, for a further two 600MW units at Paiton. Project officials say Mission Energy currently has a 36-member negotia

ting team in Jakarta and talks are at

an advanced stage. There is much resting oo the nego-tiations. As one government official noted: "Everybody is looking to Paiton. It will set the standards for the

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US farmers give warning on Gatt

By Nancy Dunne in Washington

THE American Farm Bureau, the most consistent advocate of farm trade reform within the Uruguay Round, is warning that the US agriculture lohby may withdraw its support if US negotiators accept EC offers on market access for commodities.

Today US and EC agriculture negotiators in Washington are scheduled to start the final push to get agreement before the leaders of the Group of Seven industrialised countries meet in July in Tokyo.

Mr Dean Kleckner, president of the Farm Bureau, has travelled thousands of miles during the seven years of the Round negotiations, accepting what he says is increasingly less for the US farm sector as the EC has proved intractable on con-

However, the final straw could be what Mr Kleckner calls "padding of the EC's tariff equivalents" under the tariffication process, which converts quotas into tariffs.

The Dunkel draft for a final act to the Uruguay Round, pro-

poses that Gatt countries grant increased market access of 3-5 per cent. According to Mr Kleckner and Mr Paul Drazak, also of the Farm Bureau, the French are pushing for a settlement which could actually reduce market access in products which already bave more than 3-5 per cent.

They say tariffs would under the Common Agriculture Policy are reduced. This would increase the percentage of the total price covered by a tariff, increasing the price gap between EC products and the prices of foreign competitors.

Other US farm groups have grown distillusioned with the Gatt talks, particularly as it has become clear that no Administration would be able to convince the EC to to phase out all subsidies. They say the US gets little from the 20 per cent reduction in domestic supports already negotiated; the proposed agreements on cuts in export subsidies and food standards will he useful but does not inspire much enthusi-

MOTORWAY DISPUTE

Thailand reneges on \$1bn contract

By Victor Mallet in Bangkok

A DECISION by the Thai government to renege on the terms of a \$1bn (£636m) elevated motorway contract for Bangkok just as the road is due to open has outraged foreign and local investors, and threatens to undermine efforts to finance future infrastructure

projects in Thailand. Foreign and Thai banks which have committed the equivalent of Bt20bn (£513m) to Bangkok Expressway Co Ltd (BECL), the construction consortium led by Kumagai Gumi of Japan, are due to meet in Hong Kong today to discuss the increasingly hitter dis-

The banks have suspended loan disbursements to BECL

since March BECL signed the 30-year contract to build and operate the road with the state-owned Expressway and Rapid Transit Authority of Thailand (ETA) in

BECL consortium members and lenders now accuse both the ETA and the Thai government of breaching the contract on a number of counts - in particular by refusing to charge the toll fees for motorists clearly specified in the coo-

The expressway dispute is regarded as a vital test-case because Thailand is expected

to seek hillions of dollars in credits in the next few years for much-needed infrastructure

projects.

Bangkok is prohably the most traffic-congested capital in the world there are three elevated rallway projects planned for the city worth a total of about \$7bn.

Eleven Thai banks agreed to provide up to Bt15bn in credit facilities for the new expressway and several of them also have equity; a group of 31 for-eign banks, led by DKB Asia, LTCB Asia, Crédit Lyonnals and National Westminster, agreed to lend the equivalent of Bt5bn; and the Asian Development Bank provided \$40m long-term credit and

It was regarded as a commer cial "huild-operate transfer" project - one of the first in Thailand - and there were no government guarantees or subsidies. Predictable cash flow as specified in the contract is therefore seen as vital

hy the lenders and investors. The worst blow to BECL came when the cahinet decided unilaterally last month to impose a 20-baht toll for cars using the expressway system, instead of the contracted 30baht fee, apparently because it feared opposition from Palang Dharma, one of the Bangkokbased political parties in the coalition government.

lose another

Clinton set to back off on tax credit

By George Graham in

PRESIDENT Bill Clinton yesterday tried to regain momentum for his economic programme hy appealing to voters in middle America to help him take on the powerful lohhyists" who are beginning to line up against his proposals.

But as he spoke to high school students in Chicago, the White House was already preparing to give ground on one important element of the pack age, agreeing to abandon its proposai for an investment tax credit and instead to accept a lower increase in the corporate income tax rate than it had originally requested.

The investment tax credit has featured in Mr Clinton's economic programme ever

much support from either husiness or Congress.

The proposal included a per-manent credit for husinesses with sales of less than \$5m (£3.2m), as well as a temporary two-year credit for larger husinesses, intended to stimulate the economy in the short run and encourage companies to create new jobs.

Together, the two credits were expected to cost \$24bn over five years, but critics said they would at best only bring forward investments that would have been made in any

Businesses have generally said they would prefer a lower tax rate. The administration, which at first had tried to replace the investment tax credit with other business investment incentives, oow seems likely to accept a since last year's election cam-paign, but it has never won 35 to 35.5 per cent.



UNDER PRESSURE: Clinton takes his programme to the people of Ohio

instead of the 2 percentage point rise to 36 per cent it had

originally requested. Mr Clinton has been caught in a cieft stick over his tax hill as the first flush of Democratic unity behind the new president

Flexibility on points such as

the investment tax credit is the is a particular target for necessary price for stronger Mr Clinton, buoyed hy two support in Congress for the

overall plan, hut every sign of days outside the confines of that flexibility only goes to Washington, expressed confiencourage more members of dence that he could still drive the US Congress to press their his legislative agenda through own private amendments. Congress, with the help of The proposed new energy tax renewed backing for his plan

"All I have to do, I think, is

go out here and ask them to help me sell it hecause the American people want something dooe ahout the deficit. They want something

tral bank. Vesterday newspaper editorials, husiness representatives and even the president's political allies were clamouring for Mr Resende's dismissal. Mr Franco cancelled all his appointments and summoned Mr Resende, who has denied any impropriety over the

By Christina Lamb

in Rio de Janeiro

THE FUTURE of Brazil's latest

finance minister hung in the

balance yesterday as President

Itamar Franco came under

cerning \$123m (£80m) in loans

Mr Eliseu Resende, who has

heen at the helm of Latin

America's largest economy for

just six weeks, is under fire for

allegedly favouring his long-time former employers, con-struction group Norberto Ode-

brecht, hy approving govern-

ment project financing of

\$115m to Peru and \$18m to

Ecuador. The financing, which

enabled Odebrecht to win vari-

ous infrastructure contracts,

was approved against the

recommendations of the cen-

to Ecuador and Peru.

loans, to explain himself. Mr Franco is in a delicate position. Assuming office after the impeachment of President trying to do."

Fernando Collor on corruption charges, Mr Franco has made honesty the hallmark of his administration and cannot afford to retain ministers whose integrity is in doubt, particularly in the key portfolio of finance.

idir II

However, in the last eight months Brazil has got through tbree finance ministers and two central bank governors. Last Friday Ms Yeda Crusius resigned as planning minister, complaining that she had not been consulted over the country's economic plan.

Another change would further damage government credi-hility and heighted economic instability, pushing inflation beyond its current level of 30 per cent a month.

Mr Aldo Lorenzetti, a director of the powerful São Paulo Federation of Industries (Fiesp), said: "We can't just keep changing ministers left

right and centre".

A change would also harm internetional negotiations. At the last round of talks with the Intercational Monetary Fund two weeks ago, Mr Michel Camdessus, IMF managing director, said: "It would be nice if a Brazilian economic team stayed in place long enough for us to understand what they are

Armed forces' discontent worries Peruvian leaders

By Sally Bowen in Lima

RUMBLINGS in Peru's armed forces have prompted coup rumours twice in little over two weeks, again calling into question the political stability of President Alberto Fujimori's administration.

Army discontent is not directed at the president. On the contrary, apart from the usuai complaints about pay tevels, the military, like most Peruvians, hroadiy support the government's economic and counter-subversion strategy.

But sectors of the military have grown increasingly hostile to two of Mr Fujlmori's closest collaborators: armed forces chief General Nicolas Hermoza, and Mr Vladimiro Montesinos, the president's intelligence adviser and confidant, who control internal

they were directly responsible for several recent disappear-ances and extra-judicial kill-

Before making his allega-tions late last week, Gen Robies took refuge in the US embassy in Lima with his family, claiming their lives had been threatened. He has since been flown to Argentina where he is continuing to call for the removal of both Gen Hermoza and Mr Montesinos "for the health of the nation".

was stripped of his rank, is armed forces promotions. General Rodolfo Robles, who widely respected for his

uotil recently ranked number three in the army hierarchy, has alleged the two men were Implicated in a paramilitary death squad. He claims that

national intelligence service

Gen Robles, who this week

defence of human rights. The accusations were immediately denied by the government. Mr Fujimori, in a series of television appearances at the weekend, did his best to limit the damage and pledged support for both aides. He said that recent successes against guerrilla organisations proved the "efficiency" with which Peru's armed forces and the

were operating. However, the accusations are likely further to arouse international alarm. The Clinton administration has made it clear that human rights will be the cornerstone of future policy in Latin America.

Quebec nationalists fight to retain French-only law

By Bernard Simon in Toronto

FRENCH-speaking nationalists in Quehec are seeking to mount a campaign against pro-posed relaxations of the province's French-only language

Premier Robert Bourassa's Liberal government has tabled legislation which would overturn a 15-year ban on the use of English on outdoor commercial signs, and abolish the Commission de Protection de la Langue Française, nicknamed the "language

The draft legislation, known as Bill 86, also makes modest concessions on the use of English and other languages in education by exempting some immigrants from attending French schools.

Bilingual signs and immigrants' language rights are sensitive political issues in Quebec. Nationalists are expected to depict the latest propos-als as further evidence of the threat to their island of French culture in English-speaking North America, About 80 per cent of Quebec's 7m residents are French-speaking.

The fuss over Bill 86 is not expected to have a lasting impact. The Liberals have a large majority in the national assembly, and Mr Bourassa's popularity is high following a successful battle against skin cancer earlier this

Bill 86 is likely to be on the

French schools and allowing statute hook hy the end of English immersion classes at June, well ahead of the camnaien for the next provincial election, which must take place before autumn 1994.

Meanwhile, support appears to be waning for the Bloc Quebecois, the federal wing of the separatist Parti Quehecois. Judging hy recent opinion polls, the BQ will capture no more than 25-30 seats - and possibly fewer - in the countrywide general election later

Mr Robert Keaton, president of Alliance Quebec, which represents the interests of the province's anglophone community, said that Bill 86 "sends a positive message that there's a legitimate place for the English-speaking community

Talks re-open over \$44bn commercial debt

By Christina Lamb

TALKS reopened yesterday hetween Brazil and the full committee of its foreign creditor hanks over a deal to restructure the country's \$44hn (£28.5bn) commercial debt.

Mr Pedro Malan, Brazil's chief deht negotiator, said in an interview before the talks that the main item on the agenda would be redrawing the balance of debt conversion options made by the banks in

Fehruary

The banks chose heavily in favour of the par bond option, an instrument fully guaranteed for principal and one year's interest and consequently the most expensive for Brazil, The hanks wanted 64 per cent of the total stock of debt in that

Mr Malan sald this has dropped to 59 per cent after concessions by hig banks, but it far exceeds the 40 per cent maximum desired by Brazil.

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Nadir blames UK for failed Turkish bid

By John Murray Brown

MR ASIL Nadir yeaterday blamed the British Foreign Office for the collapse of a last minute Turkish rescue hid which ultimately forced Polly Peck International (PPI) into administration in October 1990.

The former PPI chairman, who jumped hall to flee to northarn Cyprus last week, said a credit package from Turkish state banks was ready to be signed, until Mr Douglas Hurd, foreign secretary, inter-

Speaking for the first time about the role President Turgut Ozal's government to salvage the group, Mr Nadir said: "Thare were lots of unanswered questions" about the the role of the Foreign Office.

"When the Turkish government tried to help a British public company, there should only be gratitude from Britain not a threatening telex from the foreign office," Mr Nadir

said yesterday. Mr Nadir described the UK government intervention as "more crude than Hitler's message to Chamberlain. It was none of their husinass to behave in that manner".

By Paul Betts in Mexico City

MR ROBERT Ayling, group

managing director of British

Airways yesterday wrote to all

BA managers telling them to

inform all its 45,000 UK

employees it would do every-

thing it could to safeguard jobs

that the flag carrier will con-

tinue cutting costs of loss-mak-

ing UK operations as the only

alternative to closure or disposal of troubled businesses.

threat of industrial action from

BA is currently facing the

However, the letter warned

reassure staff over cuts

In October 1990, just before the administration order took effect, three Turkish banks had pledged £57.5m in another rescue effort, according to Mr

The creditors, however, refused to provide "a sensible standstill period" to waive the repayments on the PPI debts.

and the initiative collapsed. There was one last attempt to help Mr Nadir, when it came to his bail money after he was arrested on December 15 1990, charged with theft and false accounting. President Ozal then instructed the state owned Ziraathan to put up part of the £3.5m.

Separately, Mr Ramadan Guney, a north London businessman, put up £1m. Asked what he planned to do about those who stood to forfeit money pledged as hail, Mr Nadir said yesterday that his "supporters will be able to handle any situation and nobody will be hardshipped".

Mr Nadir will a have chance to test his support in Turkey if he returns, as planned, to reclaim some of his assets. However with the death of Mr Ozal on April 17, he may find Turkish officials less receptive

ground staff. The unions fear

this strategy could be the start

of a broader policy to reduce

mes, sold to india in 1986. Swan Hunter was hoping to secure subsequent contracts for two large assault ships, **BA** managers told to Work on current orders - completing three navy frigates -

will run out next year.

The yard at Walisend employs 2,200, compared with 4,500 when it was privatised in Since it opened in the 1870s, it has constructed 2,700 ships, from the famous Cunard liner Mauretania to the current aircraft carriers Ark Royal and Illustrions.

Ayling, BA's group managing director, reflects the airline's growing concern that it may face mounting industrial action. It believes union positions are hardening over its globalisation strategy and its efforts to create low-cost subsidiaries for its UK regional services and the Gatwick-based European operations it acquired from Dan-Air last into a military vessel at VSEL.

Shipyard's future at risk after

Defence Correspondent

THE FUTURE of the long-established shipbuilding industry on Tyneside, north east England, was placed in jeopardy yesterday when Swan Hunter lost its bid for a vital contract to build a 20,000tonna hellcopter carriar for

The contract, believed to be worth about £170m, has gona instead to VSEL, the submarine yard at Barrow-ln-Furness, north west England, in conjunction with the Norwegian-owned Scottish company Kvaerner Govan.

Swan Hunter described the surprise decision as "potentially terminal".

Mr Jonathan Aitken, defence procurement minister, said the VSEL bid won "by a very substantial margin of more than

The plan for a belicopter carrier was thought likely to be dropped in MoD budget cuts

but was revived in March. The ship, to be called HMS Ocean, is designed to carry 12 helicopters, capable of landing several hundred Royal Marines. This role was formerly assigned to HMS Her-

worth about £200m each.

pay and conditions throughout the company.
The letter from Mr Robert

VSEL said the jobs argument was the same whether the new helicopter carrier went to Barrow-in-Furness or the Tyne. The contract marks the submarina builder's return to surface ship work after an 11-year absence. However, under the contract, the ship itself will be huilt at Kvaerner Govan on Clydeside and will be turned

losing order

By David White,

Correspondent, in Gothenburg MR JOHN MACGREGOR. transport secretary, yesterday firmly ruled out the introduction of pay-as-you-go tolls on Britain's motorway system for at least five years.

He left open, however, the possibility that money could be raised from road users earlier than that by requiring them to buy and display an annual per-mit if they wanted to use the

Mr MacGregor is shortly expected to publish a consultation paper satting out the options for raising more money from motorists to help finance the government's £19hn road-building programme.

Yesterday he visited the world's most advanced experi-ment in road pricing technology at a test site in Gothenburg, Sweden, to see how charges could be collected elec-tronically from motorists using roadside heacons that dehit charges from devices inside

But Mr Jonas Sundberg. senior researcher for Sweden's Transport Research Institute, told Mr MacGregor that even when the technology had been fully developed, it could not be introduced nationally in Britain until at least 1998 because of the time it would take to fit the devices to the country's 25m vehicles.

Mr MacGregor has already ruled out the idea of collecting charges through Continentalstyle toll-booths because they would slow traffic down and take up too much land. That leaves annual permits

as the only short-term measure Mr MacGregor conceded that electronic road tolls could not be introduced in Britain for at

sion about that in the green paper, (consultation document) hut there is a lot of difficulty about it hecause it doesn't have the flexibility of tha electronic system. It would be feasible and technologically possihle, hut you would have to iron out a lot of practical prob-

least five years. "I have cer-

tainly been told hy all the

experts I have spoken to so far

that the first feasible moment is 1998," he said.

road tolling was not an issue

debate, you have to decide

whether you take up this option, you have to get legisla-

tion for it and you have to pre-

Mr MacGregor said the per-mit system was a possible

alternative. "There is a discus-

that could be rushed.

But he added that electronic

"You have to have a political

Britain's motorway drivers may face the introduction of a permit scheme to help finance the UK's £19bn roadhuilding programm

Technology limits road pricing plans but permit system still possible on motorways

Pay-as-you-go tolls ruled out until 1998

One of the chief objections to a permit system is likely to be the difficulty of reconciling It with privately built toll roads, which the government is keen to encourage.

Drivers would he reluctant

to pay tolls on privately built roads if they had already paid for a permit to use the stateowned motorways.

One solution likely to he explored in the green paper is the idea of so-called shadow tolls, under which the government would reward private sector operators for huilding motorways hy paying them a fee according to the number of vehicles that used them.

 A bridge rather than a tunnel is the option preferred hy government for the proposed third Blackwall crossing of the Thames to relieve the notorious traffic bottleneck in east

Subject to planning proce dures, which are likely to involve a public inquiry, the new crossing could be completed around the turn of the

A department hrocbure pub-lished as part of the consulta-tion says that the substantial cost difference hetween the £130m for the bridge at 1992 prices, and the £185m for the tunnel clearly favoured the for-

its pilots, cahin crews and . year. Warnings over exports to Iraq 'ignored', inquiry told

By Jimmy Burns

SENIOR military advisers warned in the late 1980s that the export of machine tools hy British exporters was contrihuting to a major build up of lraq's defence capability, the Scott inquiry into arms sales to Baghdad heard yesterday.

Their advice, however, was ignored by the Department of Trade and Industry and other government officials, according to Lt-Col Richard Glazebrook, a retired army officer who was a member of a Ministry of Defence working group which was meant to vet export licences to Iraq.

Lt-Col Glazebrook said that concern about British exports had deepened substantially after February 1989. By then the group had been

decision to relax the rules banning the sale of defence-related equipment to Iraq which was withheld from Parliament.

According to Lt-Col Glazebrook this led in practice to sensitive export licences being allowed to accumulate, only to be approved virtually without restrictions by the Department of Trade and industry which overruled the advice of some Ministry of Defence officials.

Lt-Col Glazebrook said his concern and that of other military advisers in the MoD working group "crystalised" in June 1989 after the group suspected that a number of machine tool export licence applications had military uses.

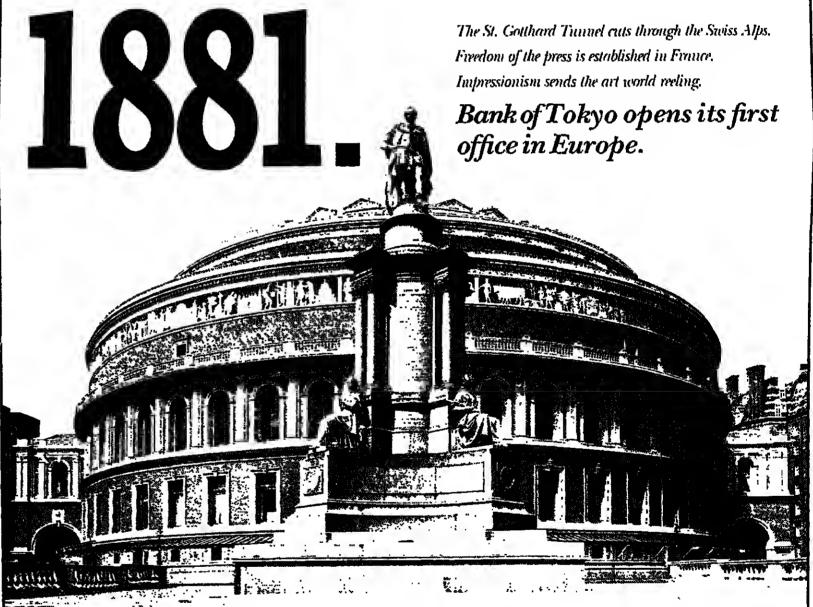
"The more applications were uncovered the more I realised that this was a can of worms,

Lt-Col Glazehrook said. His concern was the subject of a detailed memorandum which was among the documents the government tried to suppress "in the national interest" during the trial of three former directors of the Coventry-based machine tools manufacturer

Matrix-Churchill. The trial collapsed before the document titled 'British Assistance to the Emerging Iraqi Arms Industry' was ever used in court.

But yesterday it was read virtually in full by the counsel for the inquiry as part of the evidence Lord Juctice Scott is accumulating about the extent the government may have hreached its own original guidelines governing defence exports to Iraq.

The hearing continues today.



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Key Data			
In SFr m	1991	<u> 1992</u>	% Change
Net Revenues Cash Flow Net Income Dividend Extraordinary Dividend Total Assets Capital and Reserves	66.6 18.4 14.1 7.2 — 387.0 109.7	68.8 19.9 14.3 7.8 27.0 400.9 89.0	3 8 2 8 - 4 -19
Staff	221	212	-4

lith stocks and bonds more W buoyant than in previous years due to easing money-market lates, Ferrier Lulin was once again able to achieve satisfactory results in fiscal 1992. The nearly SFr 20m our operations generated in cash flow enabled us to raise our dividend from 24% to 26% while retaining more money to cover capital investments than in the preceding financial year. In conjunction with the restructuring of the SBC group's portfolio management activities, the major development in our financial situation last year was the distribution of an extraordinary dividend amounting

As a result, the capital and reserves reported in the balance sheet fell to SFr 89m from 110m the previous year, following allocation of 1992 net income. Even so, at over 20% of total assets and over s third of borrowed funds, they are still extremely large compared with

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tax break for shipping

By Alison Smith

TORY backbenchers will turn the heat on government ministers over a further issue today as senior Conservatives renew calls for extra help for the UK

shipping industry Sir Giles Shaw, a former of the powerful executive of the 1922 committee of Tory rank-and-file MPs, has proposed a change to the finance hill to give the shipping industry 100 per cent first-year capital allowances

Other senior Tories have signed up to his amendment, and the opposition is also expected to give them support in the debate late tonight.

On Monday, a rebellion of rank and-file Conservative MPs over the plans to extend Value Added Tax to domestic fuel cut the government's majority to just 10

The MPs involved are still finalising tactics. If they do not press the matter tonight. one option is to return to the issue at the next detailed discussion of the budget later in

The government is expected to stick to its previous onse saying that ministers still believe it would be difficult to justify the tax break.

Tory rebels hope to win Major under pressure to reshuffle cabinet

SPECULATION ABOUT summer cahinet reshuffle gathered fresh momentum vesterday when Mr John Major refused to confirm that Mr Norman Lamont, the chancel lor of the exchequer, would present this year's second bud-

Challenged repeatedly hy Mr John Smith, the opposition Lahour leader, in front of a noisy House of Commons Mr Major responded aggressively but stopped short of giving the

equested assurance.
While it would be virtually unprecedented for a prime hle cabinet changes in the way demanded, Mr Major's refusal to be drawn reinforced expectations at Westminster that Mr Lamont will he moved in a July reshuffle

Meanwhile the government staged a retreat in its long-running battle with teachers hy announcing that mandatory tests in schools would be simplified and streamlined from

Its decision, rushed out in a House of Commons statement after a morning of Downing Street crisis-management, appeared to calm the rising discontent among Tory MPs about the handling of the dispute But it failed to persuade the teachers to lift their boycott on

this summer's tests.
The row, which had set the government against most of the educational establishment and prompted growing unease among parents, contributed to the government's disastrous performance in last week's

county council elections Earlier Mr Patten had been said hy friends to have been "incandescent" at press reports that the prime minister's office had "bounced" him into a climbdown.

Coming in the wake of Mon-day night's embarrassing back bench revolt over the imposition of VAT on domestic fuel hills, the prime minister's remarks about the chancellor added to the impression of a government in disarray after last week'a disastrous Conservative performance in elections across the country.

They contrasted sharply with the vote of confidence he offered Mr John Patten, the heleaguered education secretary, whom he said he was "four-square" behind. At the very least they indicated Mr Major was keeping all his options open.

Arriving in the chamber to now customary Labour shouts of "Resign!", Mr Major was immediately challenged hy Mr Smith, who asked "Can you tell us if the hudget in November will be presented by the

present chancellor?" Mr Major retorted by hranding the question "a hoary old chestnut" and saying he had "not yet even begun to contem-plate cabinet changes."

He went on to praise Mr Lamont's record while avoid ing giving a direct answer to Mr Smith's question. It was "hecause the chancellor has taken difficult decisions that we now have inflation at a 25year low, interest rates at a 15-year low and the prospect of the fastest growth in Europe this year and next year."

When Mr Smith repeated his question the prime minister responded more aggressively. referring to last week's Labour mix-up over the party's economics spokesman in the Lords. "If I wanted advice on cahinet making. I would not seek it from yon, who last week had to sack your own economic spokesman for incompetence," Mr Major said.

Offering "a third shot" at removing the question-mark over Mr Lamont's future, Mr Major retorted with a reference to his own assessment of last week's election results: "Why can't you just admit you have got a bloody nose! It's a good

Britain in brief



in newspaper may increase

Newspaper Publishing plans to raise new significant capital to develop The Independent and The Independent on Sunday to compete in the increasingly competitive national newspa per market.

A range of financing options will be considered so that around £10m can he devoted to improving the titles. They include the use of internal resources, bank borrowing and raising new capital from existing shareholders and potential new investors.

Newspaper Publishing confirmed last night that its principal two shareholders, El Pais of Spain and La Repubblica of Italy, have made it clear that they are willing to increase their stake in the company. At the moment each of the continental European groups hold more than 18 per cent of the company and both could lift their stakes to around 25 per cent each giving them effective control

No early hid for Newspaper Publishing is expected by the main founder Mr Andreas Whittam Smith but it is clear a hid could easily be triggered under Stock exchange rules if El Pais and La Repubblica increased their stake and were seen to be acting in concert.

A new telecommunications company is about to start digging up the City of London's SA off-shore streets to lay its own network, and expects to he offering broker in court

Funds deposited with an investment company run hy Mr Ian Lloyd-Wright, a South African-based off shore broket, appear not to have been placed in any investment funds, lawyers for the Securities and investments Board told the High Court.

Instead, much of the money appeared to have been paid to the benefit of a Mr Kitallides,

Colt, an offshoot of Fidelity. a US investment management company which has telecoms concerns in the US, intends to spend "tens of millions" in the next few months on the first stages of constructing its own

ware-based Lloyd Wright

Investment Corporation, freez

ing all assets world wide pend-

Lawyers for Mr Lloyd-Wright

said he strenuously denied any

local services to rival BT and

City of London Telecommu-

nications (Colt) has been

granted a government licence

to huild and operate its own

fixed-wire network within the

London region, extending out

to the M25 boundary.

fibre-optic network.

Mercury by the autumn.

ing further SIB inquiries.

Telecom plan

dishonesty.

for City

Boost in car sales delayed

Car sales in Britain will not bounce back to the 1980's boom levels until the next century, according to a report issued by the Henley Centre for Forecast-ing. Although the number of drivers is expected to grow. customers' attitudes towards car purchases have changed significantly during the recession - drivers are now accepting lower status or second hand cars, and delaying for 15% longer before buying a new car, the report said.

No caffeine drinks limit

The government decided not to introduce a maximum caffeine limit for soft drinks and freed manufacturers to decide the sugar content. Mr Nicholas Soames, food minister, said he had asked the Food Advisory Committee to review its 1988 recommendation oo the need

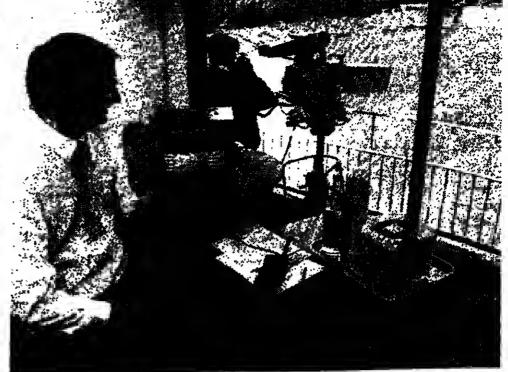
> Lewis Platt - Hewley Puckard Arno Penzias - ATAT Akira Fulimasa - Tedula

for a caffeine limit. No adverse effects on young children had been reported since the introduction of high caffeine soft drlnks, any UK restriction could not he applied to imports from the EC.

N-waste store criticised

A government advisory committee attacked the timetable for opening an underground store of nuclear waste at Sellafield in Cumhria as unrealistic. The Radioactive Waste Man-

agement Advisory Committee's annual report said that "disposal of radioactive waste is very unlikely to take place in the (proposed) repository any earlier than 2010", three years after the target date. The underground caverns, to be constructed by UK Nirex, the nuclear industry's waste-disposal company, are intended to take low and medium level waste from the UK's Magnox nuclear reactors and from British Nuclear Fuels' Thorp plant



Cricket, England's summer sport, underwent a modest revolution yesterday. As Surrey met Lancashire at the Oval, London, a third umpire watched the game on TV. A two-way radio linked him to the on-pitch umpires to help indge run-outs or stumpings. The Test and County Cricket Board watched the experiment and it may be used in international matches later this season.

Smith set to follow NZ model on PR

By Ralph Atkins

MR JOHN SMITH, the opposition Labour leader, is preparing to tell his party that it should back the principle of changing Britain's electoral system - provided reform is supported in a national refer-

He is working on a plan intended to rally opponents and supporters of electoral reform while leaving Labour, after its autumn conference. with a clear statement on how

it would act in government. Deep internal divisions over electoral reform will be highlighted today when Labour MPs debate the report of the party's electoral reform com-mission under Professor Raymond Plant,

Mr Smith will set out his thinking to next Wednesday's meeting of Lahour's ruling National Executive Committee. Proposals that Labour should embrace electoral reform have already angered the substantial section of the Labour party - including Mrs Margaret Beckett, deputy Labour leader

ommended a French style "supplementary vote" system, regarded as a compromise by supporters of proportional rep-

resentation.

Mr Smith Is as cautious about reform but is understood have to have accepted the case for change - although the extent to which he will back the Plant report's conclusions is unclear. He is expected to reject calling for a Royal Commission on electoral reform that would have delayed any

- that wants no change from the current "first past the post keep supporters of "first past the post" on side by making system" for electing MPs.
The Plant commission rec-

Instead, Mr Smith will aim to

clear that no change would be made until after at least one Mr Smith is seriously consid-

reform movement, to the Plant Commission and hased on a New Zealand model. In that country, a "prefer-endum" was held last year containing two parts: voters were asked whether the "first past the post" system should he changed and then to chose between alternative electoral New Zealand plans a further

referendum for later this year on legislation implementing an "Additional Member" electoral pressure within Amld Labour ranks Mr Smith is also

they said. ready for a confrontation with The conrt renewed injunctions against Mr Lloyd Wright trade union bosses over their and his company, the Dela-



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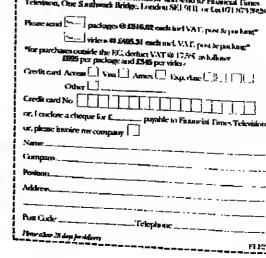
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11

MANAGEMENT

om O'Neili, managing director of Barr & Stroud pointa to an L-shaped stretch of desk space, indistinguishable from any other in an open plan office. "That's where 1 sit," he says proudly.

He adds: "it was only when i said that was where I was going to work that other senior executives accepted the idea of not having their own offices."

Barr & Stroud, which makes equipment such as gunsights, periscopes and rangefinders mainly for the defence industry, is claiming success in breaking away from what O'Neill admits were the grossly inefficient management and production methods of its past.

In common with other defence subcontractors the company is having to face up to the competitive challenge posed by the ending of the cold war, and by changes to the old cosy relationship with its customers. What makes its experience umusual, however, is the galvanising effect which re-locating to new premises appears to have had on the bottom line.

The move to a large, airy new factory in Glasgow - in which office space merges into manufacturing areas - has helped Barr & Stroud over the last couple of years cut its production lead times from 15 months to seven months, and raise the percentage of products delivered on time from a slovenly 10 per cent to 90 per cent. Last year it made an operating profit of £1.3m, its first since the late 1980s.

O'Neill admits that Barr & Stroud, owned 50-50 by Pilkington and the French company Thomson, was a product of the "featherbedded" defence industry, operating on cost-plus contracts. Before the move

or managers in the more fren-

sector, the idea of running a

zied reaches of the private

charity must feel like an invitation

Reality, however, is different.

Charities may be driven by philan-

tive pressures as commercial

Thousands of small, local chari-

ties will always depend on volun-

teers for their management. But

government ambitions for the vol-

untary sector to become a large-

scale provider of state-financed

welfare services are encouraging

moves towards an élite, super-

league of hig charities. Attention is

increasingly focusing, therefore, on

how these jarge, husiness-like

organisations should meet their

management needs.

to retreat into monastic life.

organisations.

James Buxton describes how moving factory has helped to rejuvenate Barr & Stroud

Sights set on a new target

it was housed in Edwardian plants

in Anniesland, Glasgow. Initial efforts at transforming the company through computerisation faltered in the face of ingrained structures. "With computerisation alone the company would just have heen automating inefficiency, according to Mike Ward of Andersen Consulting, which came in to advise Barr & Stroud on its transformation.

Just as the company realised it needed more sweeping changes, however, it sold its old site to Safeway for £14.5m and was able to commission a new £20m plant, designed by the architects Ryder Nicklin.

The reorganisation could consequently start again from scratch. The move opened people's minds," says O'Neill. "They euddenly said: 'Why can't we do this or that?' We wouldn't have made half the productivity gains we've achieved if we'd stayed where we were."

The new factory, at Linthouse on the banks of the Clyde, employs 700 people, compared with the 2,100 who worked at Anniesland. Yet turnover between the years to

than the workforce, falling from £62m to £52m.

From the start the company told staff it wanted to cut 800 jobs and achieve a single status factory, in which the main differential between employees would be their salary level. That meant reducing nine tiers of management to four, scrapping the six different grades of canteen in favour of one.

Not surprisingly, says O'Neill, "the higgest opposition to change came from middle management, because they were the group most threatened and were going to be decimated - what was happening really threatened thair comfort

O'Neill fired 22 of the 40 senior executives in early 1990 soon after taking over as managing director, "people who were not going to get on the train in the direction we were going".

He says he spelt out frankly to the workforce what was intended. "We gave them the bad news about the job losses first, then we listened

March 1990 and March 1993 has to their ideas. If people don't take gone down proportionately less ownership of change, they won't change their behaviour.

Instead of the old hierarchical structure staff now work in 12 teams, each dedicated to specific projects. These include a civilian version of the company's thermal imaging equipment, used for spot-ting objects and people in the dark, which Barr & Strond is selling to police forces.

Each team includes designers. production planners, materials purchasers and production controllers. Staff report to a team leader, rather a middle manager such as the head of the machine shop as they would have done previously. The four tiers of management consist of the managing director (O'Neill), the operations director (Lawrie Rumens), the team leaders and averyona else, from machinist to

Rumens believes that as Barr & Stroud moves closer to its mediumterm goal of achieving full computer integrated manufacturing, his job will disappear, reducing the four



Driving through change: Tom O'Neill (left) and Mike Ward, who are behind the transformation of the defe-

Barr & Stroud says a system under which seven trade unions each had negotiating rights has been reduced to a single bargaining

Barr & Stroud has cut 1,400 jobs from its workforce in three hig waves of redundancies and early retirement. The management dropped a compulsory redundancy programme after a two-day strike in late 1991 and all redundancies have been voluntary. Stewart Ritchie, convener for the

AREU engineer's union, says the employees like the new working arrangements. The management, he says "are far more open than they

used to be about what's going on". The other big change which con-tributed strongly to cutting the workforce and the size of the company's operations was the switch to outsourcing most of its manufacturing. Here again, the move to new premises was an important catalyst. In the old factory Barr & Stroud used to be vertically integrated, producing much of the metalwork and most of the electronic compo-

nents for its products.
"Wa decided our strength was in designing and making systems, says O'Neill. "We wanted to concentrate on that and buy in the rest."

down to 30 people from 200, and the same staff reduction was achieved by the electronics section. Most electronic components are now made or assembled by the US com-pany Hughes Microelectronics at Glenrothes, Fife, while optical components come from Pilkington Optronics' plant at St Asaph in North Wales. Machining is done by a company in the Isle of Man.

Now only 23 suppliers account for 60 per cent of all inputs - three years ago the company had more than 3.000 suppliers. By simplifying the manufacturing operation, stocks and work in progress have fallen from £22m to £7m.

Running the charity superleague

receptionist.

Alan Pike describes how the sector is trying to improve its management skills

thropic motives, but they face most of the same financial and competiof the Centre for Voluntary Sector and Not-for-Profit Management (Volprof) at London's City University Business School, shows that charities rely heavily on outside recruitment to find many senior

According to the study, 53 per cent of top managers in the higgest 200 charities came from outside the voluntary sector - 33 per cent from commercial organisations and 20 per cent from public-sector ones. The bigger the charity, the more likely it was to recruit its chief executive and senior directors from outside the sector.

A survey* by Ian Bruce, chief executive of the Royal National Institute for the Blind and director

ther back, we should almost certainly have discovered an even higher proportion with backgrounds outside the voluntary sec-

The management needs of hig charities are complex and it is therefore no surprise that they sometimes buy in specialist skills. "At the RNIB we are running schools and hotels, managing a £50m budget, employing 2,000 peo-ple, training and managing volunteers and providing services of acute importance to our clients,"

"It is quite a managerial challenge, something that those people in the commercial sector who "The survey asked only about large, something that those people individuals' last jobs," says Bruce. in the commercial sector who "Had we traced their careers fur-

Even so, he believes too many senior posts in big charities are filled by ontside recruitment. Some outside talent is obviously good and brings in new ideas. But if charities are recruiting a majority of their senior staff from outside it suggests they are not doing enough to train and promote their own middle managers. That is not good for staff morale or the long-term development of the sec-

Some charities take organised steps to develop managers internally - RNIB runs its own management training scheme with South Bank University - but his research suggests that the sector gives insuf-

ficient attention to management.
Volprof is undertaking a feasibility study to see whether this could be remedied by sector-wide training and development programmes.

And the National Council for Voluntary Organisations this month set up a study group chaired by Bruce to consider whether a formal Industry Training Organisation for the voluntary sector should be established. The group will produce its recommendations early next

Another incentive for the voluntary sector to develop the talents of its own managers is that recruits from the commercial world are not always successful. "Some commercial managers cannot cope. They

tend to be the more inflexible ones," says Bruce.

Bruce and his colleagues at Volprof have begun researching similarities and differences between managing to the two sectors. Diana Leat, Volprof visiting senior research fellow, believes many of the assumed differences between commercial and voluntary organisations are based on oversimplified views of both.

Rather than searching for differences between charities and commercial companies, she believes the starting point must be within individual organisations, regardless of the sector they are in. It is clearly unhelpful, she says to a Volprof report, to put ICl and a market

stall in the same category just because they are both commercial organisations; eimilarly, Oxfam has little in common with a village playgroup. But, she adds: "It may be more illuminating to look at the similarities between, say, Apple and Oxfam than those between Apple and Pepsi."

In any case, believes Leat, we may be witnessing a convergence in management priorities between commercial and voluntary organisations to become more husinesslike - many resulting from public funding changes, with charities having to compete for contracts. But, she suggests, there are equal

essures in the other direction, with some characteristics more familiar to the voluntary sector becoming increasingly essential to the success of modern commercial organisations.

*Managing Across Sectors, £9.50, City University Business School.

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IN THE NAME OF GOD INTERNATIONAL PUBLIC TENDER NOITATION

Sugar Cane and By-Products Development Co. intends to purchase electrical and mechanical equipment of 43 secondary pumping stations related to three of its sugar cane agro-industry units located in south part of Ahwaz City through international public tender.

The total no. of pumps related to the above mentioned stations is 192 and water flow capacity of each pump should be between 470 to 600 litres per second against 6.5 to 9.5 meter of total head.

interested manufacturers are requested to deposit the amount of US\$500 for each Agro-Industry unit or if Interested US\$1500 for all three units to the account no. 77017 with Bank Sepah Khaled Eslambouli Branch in the name of Sugar Cane and By-Products Development Corporation for purchase of tender documents and refer to Secretariat of Transaction Committee at No. 60 Brazil Ave., Vanak Square, up to 29.2.72 (19 May 1993) and receive the tender documents against presentation of the original daposit

Sugar Cane & By-Products Development Corporation

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This is to inform that Mr Frankie YUEN Cho Kwong, holder of HKIC No.E358711(1), is no longer in the employment with effect from 25th April 1993, of the following companies:

WORLD-WIDE SHIPPING AGENCY LTD. THE WORLD-WIDE MARINE AND FIRE INSURANCE CO. LTD.

He is therefore not authorised to transact any business, or collect any monies for or on behalf of the above companies. The companies will not be responsible for any transaction which he has undertaken from the 25th day of April 1993.

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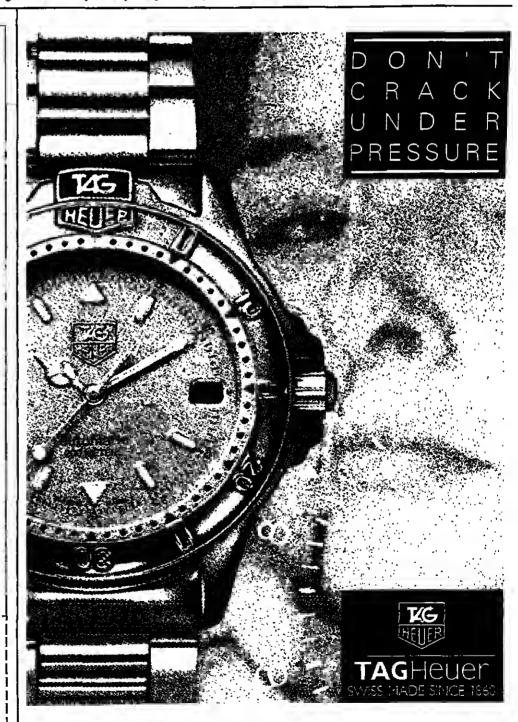
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FINANCIAL TIMES

hen Falkirk District Council hired a consultant four years ago to assess the environmental impact of a proposed asbestos disposal site, the report lt received was far from comprehen-

In exchange for their fee, officials were sent a meagre two pages of text and a couple of low-quality maps of the area under examination. It was hardly the basis for a detailed assessment of the risks to the soil and water, the level of treatment of the waste or a consideration of alternative uses for the

As legislative requirements and voluntary pressures have forced companies and government agencies to take environmental issues seriously, demand has grown for consultants to help meet their

But the last few months have also brought growing calls for improved quality from these consultants, as bitter experiences of tha results take hold. Now professional bodies are beginning to respond.

Carl Fuller of the Institute of Environment Assessment, who regularly examines consultants' reports, says one of the most frequent problems is a lack of consideration of alternative options dur-

Consultants often fail to identify weaknesses in proposals, ignore the way sites would change if a project did not proceed and make elementary errors such as conducting ecological surveys in December when there is little prospect of discovering the full range of fauna and flora in the area being surveyed.

His thoughts are supported by research conducted by Norman Lee of the environmental impact assess ment centre at Manchester Univer-

Based on a sample of 85 of the 500 environmental statements in the UK prepared during 1988-91, he found a gradual improvement over time, but that even in 1990-91 twofifths were still graded unsatisfactory (see table).

The demand for environmental consultancy is very large and partly externally imposed. Legal requiremeots such as the 1990 Environmental Protection Act, and other codes such as BS 7750, the British Standard on environmental management, and Emas, the EC's new ecological auditiog and management scheme, are all playing a part.

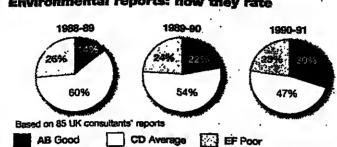
A recent survey by Environmental Data Services identifies 339 entities which it recognises as eovironmental consultants, with billings of £400m. The institute's figures suggest the total of those using the label is ocarer 700.

At the same time, there are no real barriers to entry and oo regula-

Environmental advice is becoming big business, but there are calls for higher standards, says Andrew Jack

Put to the green test

Environmental reports: how they rate





because of omissions and/or inadequacted

F : Very unsatisfactory, important taskist proving

that minimum standards are main-

The National Accreditation Council for Certification Bodies may examine those wishing to be verifiers of company environmental statements for Emas. But, in the far more lucrative market of general consulting, there is no such independent scrutiny.

"The whole environmental business has expanded very dramatically." says Chris Luck, a director of Environmental Resources Limited (ERL). "You become concerned

tory or other official body to ensure about the maintenance of professional standards. There have been worries about how people will know whether they are going to get a

good quality service." Prime among the difficulties is the lack of adequately qualified staff. The institute has taken a lead in tackling this problem through the creation of the Environmental Auditors Registratioo Association scheme (Eara) last October, backed by industry, government bodies and

consultancies. Eara maintains a register of those individuals who have reached one of the three recognised levels of membership: provisional environ mental auditor, environmental auditor and principal environmental

Registration at the different levels depends on achieving a certain number of points through profes-sional and academic qualifications, training and practical experience Principals must also submit a writ-ten dissertation on which they are orally examined. David Thompson, the scheme manager, says there have been more than 500 applications. He hopes that there will be more than 1,000 names on the register before the end of the year.

There are similar attempts to raise standards for husinesses through the Association of Environmental Consultancies - which currently represents 28 of the larger firms in the industry. At the end of last month, the association finally ratified a code of practice and launched a registration scheme. Companies are subject to a review conducted by individuals from two or three other member consultancies, who look at systems and procedures. They are supported by a team from Imperial College, London who examine a sample of commer-cially-sensitive files on client work. There is a nominal £750 fee.

Those that pass or have only minor shortcomings will be audited again in a year, and then every two vears. Those that require more work will be re-examined after six

So far, 18 companies have been registered and can be expected to be audited by the end of March next ear, "It is hy no means a formality," says Geoff Mills, head of Gibh Environmental and chairman of the working group for the scheme. There has been some real soul-searching from firms about applying. But this is not a cartel. Wa would love others to apply."

ERL was chosen as the guinea pig, and was visited last December. Luck says: "Overall the process worked pretty well. It served to confirm our approach and will ultimately enhance the quality of service we provide. We have mentioned our registration to clients and in proposals and it has certainly been very well received." That leaves two questions. First,

how far credibility in a system of self-regulation can be maintained. That may only be tested when the institute and the associatioo have to police and take disciplinary action against members.

Second, whether in the absence of any formal legal requirements, the reputation and the profile of the two schemes will be sufficient to persuade potential customers to use those registered rather than the many continued fringe players who

WORLDWIDE WATER

Problems of achieving higher standards

Bronwen Maddox takes a look at EC policy



IMPROVING the quality of water is one of the most ambitious parts of the European Commission's environmental policy. Yet, nearly two decades after some of the directives were

sed, the Community is unable to tell whether countries are complying with the rules. At the same time, water shortages in Mediterranean countries are renewing pressure on standards.

The Commission has passed more than 200 "green" directives In the past 20 years but the regulations on bathing and drinking water and on treatment of waste and sewage have attracted more than their share of attention. Surveys have shown them to attract a high level of popular support in many member countries.

More rules may be in the pipe line: the Commission needs to decide whether to hring more chemicals under the regulation's scope and whether to Incorporate a recent tightening of the World Health Organisation's guidelines on lead in drinking water.

Northern countries have, on the whole, complied with more of the rules than sonthern - or so the incomplete figures available suggest. DGXI, the Commissioo's environmental directorate, says it accepts that lack of data on implementation of the directives has been a handicap in enforcing them. It is up to national inspectors to sample the water, hnt the methods and extent of testing vary widely between countries.

Consumer surveys grading beaches make up some of the gap, water companies say, but are no substitute for systematic monitor-

What is clear, however, is that the directives are among the most expensive to implement of all the "green" rules passed by the Com-mission. The UK's water industry, in the middle of a capital spending programme which could eventually top £45hn, estimates that half the sum is directly due to the EC

> upheaval in the industry, particularly in the life insurance

"We believe people will take more notice of us if we are number four in the market

than if we are, separately, both the wrong side of ten" BAT

commented yesterday. Allied

Dunbar and Eagle Star's com-

bined premium income gives the group a 6 per cent share of

the UK life, investment and

The group also hopes that

the new format will increase

its chances of success In the

international arena. ""We were

beginning to find potential

international partners were

unclear as to which hit of the

group they would fit into. Now

there is one person for them to

talk to" a BAT spokesman

In the past, the ethos of the

two operations could not have

been more different, with the

brash Allied Dunbar sales tech-

nique contrasting sharply with

the more traditional approach

of Eagle Star. Now both are

pensions market.

directives. Meeting the new WHO lead guidelines - which whuld mean replacing miles of lead piping - could cost another £8hn, lt

Ian Byatt, director general of Ofwat, the UK's water regulator. has argued that if the Commission keeps tightening the rules, water costs - and, in the UK, customers' bills - will be trapped on a never-ending upwards "escalator". That prospect has led Eureau, the group representing national water companies from all EC countries except Greece, to lohhy for a revision to the standards, or at least restraint in setting new ones.

Janet Langdon, director of the UK Water Services Association, which represents tha 10 large water and sewerage companies of

There are signs that the Commission is taking the problem of enforcement seriously

England and Wales, also argues that European countries should have the right to set their own standards on the colour and taste of drinking water where there are

no health implications.

The Commission's environment directorate plans to hold a seminar in September to discuss these issoes. Although Eurean's members believe they had received a sympathetic response earlier in the year, several are no longer as confident.

Michael Swallow, director of the UK Water Companies Association which represents the smaller water snpply companies, says: We will be looking with interest to see whether they have departed from the precantionary principle" - the insistence that every trace of some substances, such as pesticides, should be removed even where a health risk is not proven. He adds: "The WHO guidelines for 32 pesticides are less stringent than the Commission's - we want to see how far the scientific basis

will be recognised." There are signs, though, that the Commission is taking the problem of enforcement seriously. The UK helped start np meetings of each countries' inspectors to help understand differences in

monitoring methods.

Devising a workable ronte to higher standards is not the Community's only headache - water shortages loom, too. The Enropean Commission published a report at the end of last year warming that economic growth in the EC will hecome constrained by lack of fresh water.

The report, by the Birminghambased consultancy Ecotec, argues that the shortages will be most pronounced in Mediterranean countries, hecause of increased industrialisation and growing populations. But it also said that contamination of groundwater by industry and agriculture in industrialised and heavily-populated northern countries will add to the costs of growth.

The past decade has seen some improvement in pollntion control. the Rhine and the Meuse, among the worst-affected rivers, have seen concentrations of lead, zinc, arsenic, copper and mercury fall. However, the environment directorate has conceded that the improvements are "disappointing" given the affort and money

The result of Europe's pollntion levels and high water standards, according to the Ecotec report, is that the average cost of water in Europe, Ecn0.66 per cu m, is some two to three times more expensive than In the US or in densely-populated Japan.

As EC countries become more alert to the rising cost of water and to the impact on their competitiveness, it may force the Commission's environment directorate to pick its targets more carefully and consider the economic conse-quences more thoroughly than it has done in the past.

This concludes the series. Previous articles appeared on Moy 5, April 28, 21, 14, 7, March 31, 24, 17.

Fly to London in June

Lufthansa Festival of Baroque Music

"The London musical calender now seems inconceivable without the annual Lufthansa Festival of Baroque Music....New explorations into the vast continent of early music are constantly mapped out, new performers to lead those explorations constantly introduced" Financial Times 29th June 1992

Now the FT invites its international readers to come to London in June to enjoy one or more of the 10 concerts in this year's season, being performed in Christopher Wren's church of St James, Piccadilly, and at the elegant Wigmore Hall, also in central London.

Included in a varied programme running throughout the month and early July, the 350th anniversary of Monteverdi's death is marked with a performance of L'Orfeo, while the 250th anniversary of the Peace of Dettingen' is celebrated with Handel's Dettingen Te Deum and Anthem, under the musical direction

DER Travel Service have arranged on behalf of the FT a two night stay at the Forte Crest St James's with full English breakfasts (the hotel is a two minute walk form the church), flying to London with Lufthansa German Airlines, and a concert performance from just DM820 or £325. For further details of this Financial Times Invitation, which you may expand as you wish, please complete the coupon or fax us now.

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These performances are at the Wigmore Hall, all others are at St

Price per person based on two people sharing a double room with breakfast, one concert performance, and return flight from Germany. No other extras are included. From other EC countries Luthaussa flights (via Germany) are available at a premium of DM126 or £50, or on request from elsewhere. Single oom supplement DM75 or £30 per night.

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insurance subsidiary Eagle Star as well.

Star, to the position of group chief executive and deputy chairman of BAT from the beginning of last month. Broughton remains managing director of the group's

financial services husiness. with Greener, now in charge of the whole of the UK, and Leo Deniea who runs Farmers in the US, both reporting in to

BAT says the elevation of Greener, who joined in 1991 after a 20-year career with Mars, to the position of chairman of Eagle Star Holdings reflects the belief that a more co-ordinated approach will give

The appointment of Sir Ewen Fergusson, Britain's Ambassador to France until last year, to the board of BT as a non-executive director, is more than just another lucrative pension for a retired senior diplomat.
High on the list of BT's cur-

rent ambitions is to break into

the closed world of Europe's state-owned posts and telecom-Britain has long been bang-ing on the Brussels door to get the liberalisation process moving. This week it appears to bave got a commitment thet most of the Community's tele-

phone calls will be open to competition by 1998. So BT will soon need all the "gen" it can get on the European scene, not least in France, whose government and tele-



coms monopoly are unlikely to put on much of a welcoming party for the British. Sir Ewen's diplomatic skills will obviously come in useful

PEOPLE

group, yesterday moved to strengthen its board further

with the appointment of Sir Christopher Benson as chair-

Sir Christopher, 59, is chairman of Boots the retailer and

chairman until July of MEPC

half years during one of the

debts, Costain recently sold its

Australian mining operations

to Peabody Resources, part of

Hanson, the Anglo-American

congiomerate, in a deal worth

Costain has also received

several approaches from poten-

tial purchasers for its loss mak-

It is thought to have wanted

UK housebuilding

Greener shoots up at BAT Benson picks up Costain the group greater muscle at a time of considerable regulatory Costain, the UK construction

Alliance.

group has faced.

operations.



BAT industries is hoping to strengthen its clout in the insurance world hy giving George Greener, chairman and chief executive of Allied Dunbar, responsibility for its other

The move follows the promotion of Martin Broughton, previously chairman of Eagle

moving towards a multi-channel distribution strategy.

Moreover, BAT believes that whereas Allied Dunbar had been "so focused on its sales drive that it had rather lost sight of its market" one of Greenar's achievements has

been to redress that balance. Meanwhile, Clive Coates, finance director of Eagle Star, is promoted to deputy chairman, whila Sandy Leitch, deputy chairman and managing director of Allied Dunhar, becomes its chief executive.

After the exodus of recent weeks, Invesco MIM yesterday announced a handful of senior appointments which confirm once again the steadily increasinging American influence on the still UK-listed fund man-Significantly, the new chief financial officer is American Hnhert Harris, who joined

Invesco in 1988 and is currently president of Invesco Services. He replaces Ratan Engineer, the London-based finance director who left in April. Harris was assistant director of the Office of Management and Budget in Washington back in the Carter administration. Prior to that he worked at Citizens and Southern, the bank where executive chairman Charles Brady and others started before setting Invesco up. He is well plugged into the Atlanta, Georgia community, from where Brady operates: Harris is on the board of trust ees of Georgia State University as well as a member of the advisory board of the Atlanta committee for the Olympics.

property groop. He is also chairman designate of Sun He takes over in June as chairman of Costain succeeding Peter Sawdy, 61, who has been chairman for two and a most difficult periods the The company last year made a £148.6m pre-tax loss after to appoint a high profile chairmaking further substantial man to help chief executive provisions against its housing Peter Costain and a new manand commercial property agement team reduce the company's debt further and restore In a bid to reduce its large

its fortunes. The appointment follows the replacement of a number of senior executives including Tom Slee, the former finance director, and Gordon Haworth. main board director responsible for American operations. Keith Egerton, director responsible for commercial property operations, also left the group following Costain's decision to

Invesco has also brought

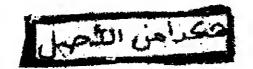
retreat from that sector.

Invesco in hiring mode

another American non-executive onto the board following the appointment of Sandy White last November. He is Bevis Longstreth, a former SEC commissioner and cur-

rently a partner with law firm Debevoise & Plimpton. Meanwhile Norman Riddle, newly appointed head of the European husinesses, has hrought in James Robertson from his previous stable Capital House. Robertson, who hecomes finance director for the European division, had worked with Riddell in huild-ing up Capital House, the fund management subsidiary of Royal Bank of Scotland, as director of finance and corporate development. He qualified as a chartered accountant with Arthur Andersen before joining the corporate finance department of Charterhouse

merchant bank. Martin Gray, chief executive of the bank's UK branch business, joios the board of NATIONAL WESTMINSTER



he BBC governors ought to be worried men and women. At the end of last year their charter renewal process seemed to be going swimmingly. Government had broadly endorsed the continuation of the status quo. The BBC countered with a promise of ever-extending choice, within a more accountable organisation. But now fault lines are emerging, and look set to deepen.

The reverberating row about top BBC salaries refuses to die down. Traditionally, these payments were loosely linked to the top end of the civil service. This financial year top civil servant rates, Sir Robin Butler and Sir Terry Burns apart, are a shade over £90,000. The BBC is now being credited with doubling those monies. So, governors have plainly brought the old policy to an end. What then is the new? And on what principles is it based?

There is double danger for governors if they cite competitive pressure in the market. In the first place, being led by the nose by what others do is a recipe for broadcast inflation without end. Secondly, whenever the BBC too cheerfully bends a knee to the market, then it calls in question the special "non-market" funding protection offered by the licence fee.

Remember too that the licence fee is pegged to the Retail Price Index, as the Television/Brian Wenham

BBC governors skate on thin ice

bulk of the BBC workforce knows only too well. An unexplained fattening of differentials at the top therefore makes general staff relations ever more edgy.

The governors would be wrong to hope that this problem will simply go away. Commentators will hang on each and every emerging annual report for the next twist in the story. If governors are regularly to be damned, there is a case for their publishing details of their salary policy now, in full, and putting their trust in public understanding. By chanca the matching row over the LWT share scheme gives them a neat opportunity, not - it is to be hoped - for making irrelevant comparisons, but simply in offering covering

A full explanation would give some substance to the governors' promise of "openness," of which so far there is little sign. Rather the governors dumbly close ranks when under fire, and so weaken any claim that they are genuinely independent, or representative of the broad public interest.

The obvious cosiness between governors and its appointed management has inevitably emboldened others to seek to usurp the governors' function. So, both the ITC and the Radio Authority made a mark with proposals that they might take under their wing the relevant BBC services, thus reducing the BBC to but one client licence holder among many others. It should be disturbing to BBC governors that they have left the Corporation wide open to takeover bids of this sort.

The governors need to be seen to stand back and govern, which means giving management the necessary steer. Fortunately, opportunity is at hand. By now, reports from public meetings should have convinced any open-minded governors that the scheme for a Long Wave Rolling Radio News has little listener support, and continues to arouse special bostility among adherents to Radio Four. The governors have already said the scheme is on hold until reception of Radio Four on FM can be improved to listener satisfaction.

They will now know that this too cannot be delivered except at exorbitant cost. Yet BBC management continues to turn a deaf ear. If "accountability" has any meaning, then the accountable governors should require their management to put the scheme to one side.

The BBC should press to retain an ability to offer extended commentary by way of a split service when occasion demands. as it did in the Gulf and as it may soon over Bosnia. This sort of editorial imperative is something listeners understand and accept. But the broader expansion into what would be a sixth free-standing network finds no following wind among the public, and will create a running sore if

Greater long-term anxieties attend BBC management's introduction of what is known as Producer Choice, setting in place an internal market of great complexity and arguable value. It would be wrong to assume that BBC staff are wholly bostile to these new mechanics; best intelligence is that one third are wide-eyed believers, one third sullen sceptics, and one third bemused agnostics. What concerns all three groups, and should concern the viewers and listeners they serve, is that the process be seen to be independently assessed, so that sensible modifications can be put in place and benefits properly verified, not simply asserted. Here again is natural governor husiness.

Unfortunately the recent record again gives pause. As part of the warm-up for the new arrangements, £60 million or more of television monies went unaccounted for. A gubernatorial explanation was promised but has yet to arrive. There is also a stubborn reluctance to come clean about the set-up costs for the new system, or for the monitoring of the system once in place. Yet, as the press now reminds us almost daily, the BBC is gaily recruiting systemsminder after systems-minder, a massive buildup of what must surely count as "non-core" activity. Little wonder that the sceptics remain convinced that the whole

exercise is designed not to save money but to force a casualisation of programme making staff. Sceptics would further argue that the internal pricing is skewed to that

The governors oeed to take these charges seriously. They bave businessmen in their number well-equipped to take a quizzical look, spot where the new systems may be unproductively overburdensome, and then give the public a balanced assessment. It would be useful too to have at this early stage some idea of the expected outturn in terms of savings and operational efficiency.

in the broad, are we to assume that the changes will prove themselves by enabling the BBC to live comfortably within its pegged licence fee throughout the next charter period? That high prize might be worth the fuss. Or, at the end of the exercise, will we be surprised by a supplementary bill? If that turns out to be the end game, then the licence-payers may well he moved to disbelieve grandiose management claims. And the BBC and its governors will be skating on extremely

Christopher Dunkley is on holiday. Brian Wenham was on the staff of the BBC 1969-1987, and is now on the Board of Carlton Television.

Opera/David Murray

'Otello' revived

Elijah Moshinsky's production Downes, be was better tuned of Verdi's opera, re-staged now by Richard Gregson, has established itself as a durable treasure of the Royal Opera repertoire. It looks imposing, though it has no tricks that grow stale (the opening tempest still daz-zles with Robert Bryan's lighting); it sets a credible time and place compactly and thriftily; it wastes no time - one modest interval between the middle acts, the merest pauses elsewhere. On Monday its fourth revival, with all the principals

drawn from previous casts, gave resounding satisfaction. "Resounding" in particular because the Otello was again the Russian tenor Vladimir Atlantov, whose forte is fortissimo: for the July 18 concertperformance by the lake at Kenwood, he will need no microphones. Not long ago I heard him in the role in Vienna, where he sang wildly, if sometimes thrillingly, and barely interacted with his Desdemona and Iago. At Covent Carden, with sharply purpose-ful conducting by Edward

and rather less self-absorbed. It remains a broad, extrovert performance - far removed from Domingo's anguished subtleties with Carlos Kleiber in the pit (worlds away, in the "Dio! mi potevi scagliar" soliloquy), but bonestly stirring in its own

His Desdemona was the lovely Katia Ricciarelli, still a radiant, unsurpassable lcon of innocent goodness. The vocal problems of recent years have melted away; the "beat" in the voice is safely under control, and warmly affecting. Her soprano glows with a new maturity, if not the reckless generosity of her early career. On the modern stage sbeer goodness is not a plausible commodity, but Ricciarelli's natural grace, spontaneity and dignity carry it off and seize

Like this heroine, Justino Diaz's lago was captured by Zeffirelli for his film of the opera - and was, I suspect, enhanced by the experience. It is not a flamboyant study in

the dark-grained weight of the Diaz baritone. (In the roaring duet with Otello, indeed, he sang his first verse more or less to his knees, an odd thing to do.) But plain, subtle details accumulate and soon a formi-dably troubled character comes into focus, without melodramatic signalling of the kind few lagos can resist.

Sterling work from the lesser principals, among whom I will mention invidiously Robin Leggate's ever-upstanding Cassio, Anne Mason's alert Emilia and the precocious Ambassador of Peter Rose, who lends to his all-but-faceless role the solid bottom that it needs for the drama. For the chorus Otello sets strenuous tests, all of which the Royal Opera forces passed with flying colours. I still think that the choir of Cypriot" boys (this time from Chorley Wood) is excessively tow-headed, hnt it is not a point to fret over.

Sponsored (1987) hy Morgan Grenfell Group ple



Justino Diaz and Vladimir Atlantov as Iago and Otello, new to Elijah Moshinsky's production at Covent Garden

Concert/Antony Thorncroft

here was always a nadir during the rock concerts of the 1970s known as the drummer's solo. It was totally unavoidable and totally boring; around 15 minutes of thrashing and flailing which anded with the drummer throwing his sticks at the audience and pouring a bottle of water over

The Kodo Drummers perform for around two hours and fifteen minutes, and pose a different problem. Their drumming is unmatchable; you appreciate the subtlety and imagination that drives each Item. You readily believe that such precision and commitment can only be attained after a routine of training which makes SAS manouevres seem like a cake

But for some people the drum is not the most melodic of instruments; not the most lyrical. It stirs the blood rather than the soul. After the first Kodo number, when

the 12 drummers hulld up a wall of sound that makes your thighs resonate and your ear drums ache, you doubt the pleasure

Wisely the troupe knows the weakly western constitution and intersperses the drumming with delicate solos and duets on traditional Japanese instruments which tend to confirm that folk music throughout the world is inevitably wistful and melancholic.

But it is for the drummer boys that the audience whoops and cheers, especially when the pressure of work strips them down to loin cloths. Like virtually all Japanese art forms these drummers from the island of Sado are totally outside European experience and reference. The dedication, the training, the physical perfection beat ont as loudly as the drums - or as softly, as they manipulate the skins with masterful

It is hardly music; more a primitive romance with thythm. Often they pos like young Samural, treating their drums as worthy opponents. You wait for the ggest drum, the 800 pounder. to be brought out, before which the drummers undress and lie down, and then raise sticks as large as baseball clubs to pound it to death.

Some of the asceticism has worn away from the drummers during their interminable international tour. Their faces are less inscrutable; more baleful; almost self-satisfied. This is spectacle, entertainment which must greatly delight anyone interested in drumming techniques but cause many British people to sit in respectful boredom.

Sadler's Wells until May 15. 071 278 8916 Madison, Wisconsin, is a city one might compare with, say, Worcester for its size, for the way it is dominated by one spectacularly sited piece of architecture (the high domed state capitol on a hill between lakes), for the snare of its way system, and for its unlikeliness as a springboard for new opera. Hitherto the local company has put on a couple of productions each season: usually a favourite opera

and a musical

But a few years ago some proud and tenacious residents got it into their heads that Madison Opera ought to present a new piece on the subject of Madison's most famous son, or stepson, Frank Lloyd Wright, who attended high school and college in the city. The next step was to find a Wisconsin composer to do the job. And because Daron Aric Hagen, the eventual choice. was staying at an artists' retreat in the company of Paul Muldoon when he received the call, Madison's dream began to hecome real in Muldoon's

The resulting libretto is a curious and fascinating piece of work, as lopsided and quaint and wondrous as anything creOpera in Madison, Wisconsin

'Shining Brow': a tribute to Frank Lloyd Wright

ated by Wright himself. There are phrases, and sometimes whole miniature scenes, that are, as Muldoon has bemusedly said, more direct than anything he might have done withont the cover of music. When, for instance, Wright is confronted by slavering reporters and prudish neighbours on his return from Europe with his mistress Mamah Cheney, he speaks to himself in the most everyday language: "The truth is that I feel nothing, not the merest hint of remorse. Not a pang of guilt." The brandydoused resentment of Louis Sullivan, Wright's erstwhile mentor, is also expressed plainly and forcefully, and there are little moments of social comedy in what the cho-

On the other hand, many passages are deeply underlaid with alluston or, more commonly, with subtleties of

rus have to do.

metre, rbyme and assonance. Mamah in Berlin has a long solo in terza rima and Muldoon proves himself a virtuoso in tbe da Ponte-ish trickery of enabling different people to sing different things simulta-neously in similar sounds. Most conspicuously of all, his libretto is full of words and images that repeat themselves from mouth to mouth, so that the individualities needed for characterisation - and, to a degree, plot - are eroded by

"l know, l know, I know, I know. I know" is the simplest of these verbal tics, its echoings echoed in turn by those of other keywords: "kowtow" "brow" (Shining Brow, the opera's title, is a translation of the bard's name Wright gave to the house be built for himself and Mamah: Taliesin). "I know. I know." There is nothing new. The people of the libretto - moments of baldness or wit aside - seem to be caught up in a cat's cradle of words: of words put into their mouths, of words which have their own lives, meandering from mouth to mouth. Tides of words take the piece on; wbo speaks or sings them is irrele-

The one character who has his own words is Carleton, the black chef at Taliesin, wbose hot utterance springs across the gap from ecstatic African-American preaching to the Welshness of Wright's ancestry and of Muldoon's immediately preceding poetic work: "I am the hart. I am the hind. I am the green and burning tree. 1 am the cloud no bigger than a hand. I will go down in history." It is Carleton who, on the plot level, is responsible for the final catastrophe, the burning of Tallesin with Mamah and her children inside, and

wbo, below the plot, challenges the other characters with the certainty and uniqueness of his

language.
Significantly, this language
is spoken - or, rather,
declaimed - not sung, while the orchestra stays silent. The composer's nobility is to leave Carleton's self-statement outside the purlieu of music which oddly thrusts this sophisticated libretto into a world compounded of Broadway, Peter Grimes and Der Rosenkavalier. The dedication of the score to the memory of Leonard Bernstein is apt.

In the performance, everything that enthusiasm could do was done. Roland Johnson conducted a vigorous and spirited orchestra; the cast was led by Michael Sokol in the lyric baritone role of Wright, intrepidly seeking bimself through the always confounding maze of words, with Carolann Page as Mamah and the tenor Barry Busse splendid and vituperative in disarray as Sullivan. Stepben Wadsworth's direction and David Birn's sets understandably opted for straightforward clarity.

Paul Griffiths



BONN

Oper Tonight and next Wed: Puccini's Trittico staged by three women directors. Tomorrow: Der Freischütz. Fri and next Tues: Valery Panov's production of the Prokofiev ballet Romeo and Juliet. Set: Otello. Sun: Gian-Carlo del Monaco's new production of Cav and Pag with René Kollo and Monte Jaffe. Mon: Ferruccio Furlanetto song recital (773667)

■ COLOGNE

Philharmonie Tonight and Fn: Cherubini Quartet plays Beethoven. Tomorrow: Giuseppe Sinopoli conducts Philharmonie Orchestra In Brahms' Second and Fourth Symphonies. Sun morning, Mon and Tues evening: Dennis Russell Davies conducts Gürzenich Orchestra in works by Haydn, Khachaturian and William Bolcom. Sun afternoon: Thomas Zehetmair violin recital. Sun evening: Cologne Youth Orchestra plays Beethoven's Ninth. Next Wed: Saint Paul Chamber Orchestra (2801)

Opernhaus Tonight and Sun: Katya Kabanova with Nadine Secunde and Leonie Rysanek. Tomorrow: TanzForum triple bill, choreographies by Jochen Ulrich. Fri: Der Rosenkavaller with Margaret Marshall, Dolores Ziegler and Günter von Kannen. Sat and next Wed: Entführung (221 8400)

■ COPENHAGEN

Tivoli Tonight: Jin Wang conducts Danish Radio Symphony Orchestra in works by Stravinsky, Schlerbeck and Tchaikovsky, with flute soloist Pia Hansen. Tomorrow: Kees Bakels conducts Tivoli Symphony Orchestra in works by Gilnka, Tchalkovsky and Nielsen, with piano soloist ivo Pogorelich. Fri: Pogorelich plano recital. Sat: Bakels conducts Dvorak, Nielsen and Mozart, with violin soloist Nikolai Szeps-Znaider. Sun: Radio Chorus and soloists including Tina Kiberg in songs by Richard Strauss, Mon: Tarnas Vetō conducts DRSO in Grieg, Dvorak and Nielsen, with cello soloist Truls Mork, There are concerts on most evenings throughout the summer (3315 1012) Royal Theatre Tonight, next Wed: Mahagonny. Fn: La traviata. Sat: Tosca. Next Tues: Drot og Marsk, Danish historical opera. Season ends on May 22 (3314 1002)

DUSSELDORF

Deutsche Oper am Rhein Tonight and next Tues: Goldberg Variations, ballet by Heinz Spoerli. Tomorrow: La fille mai gardée. Fri: Swan Lake. Sat: Spoeril's new Giselie production. Sun: My Fair Lady (211-8908 211). Duisburg Theatre

Weiber von Windsor on Sun

FRANKFURT

(203-3009 100)

Alte Oper Sat: Gluseppe Shopoli conducts Philharmonia Orchestra in Brahms' Second and Fourth Symphonies, Sun morning, Mon evening: Christoph Eschenbach and Tzimon Barto alternate as conductor and soloist in Brahms' two plano concertos, with Frankfurt Opera Orchestra. Sun evening: John Adams conducts a programme Including his Chamber Symphony (1340 400) Jahrhunderthalle Hoechst Sat and

has Saloma on Sat and Die lustigen

Sun: Kirov Ballet mixed bill. Next Wed: Mikhali Baryshnikov's White Oak Dance Project (3601 240) Opernhaus Tomorrow: Aribert Reimann'a opera Troades. Sat: Ricoletto, Sun: William Forsythe's ballet Slingerland (236061) Schauspielhaus Tomorrow, first night of new production of Schiller's Don Karlos, directed by Wolfgang Engel. Repertory also includes Schnitzler's Undiscovered Country, Shakespeare's Othello and Sophocles' Antigone (2123 7444)

LEIPZIG

Operations The opening productions of the Leipzig Opera's 300th anniversary celebrations are Boris Godunov staged by Istvan Szabo (tonight and Sat), a ballet evening choreographed by Uwe Scholz (tomorrow) and Rameau's Hippolyta et Aricie (next Wed). Repertory also includes Lohengrin on Fri. Krenek'e Johny spielt auf on Sat, Madema's Satyricon on

Mon and Busoni's Doktor Faust on Tues (7168 273) Gewandhaus Tomorrow and Fri: Kurt Masur conducts Gewandhaus Orchestra in Rakhmaninov's Third Plano Concerto (Peter Rosei) and the Gorchakov orchestration of Musorgsky's Pictures from an recital. Mon: Horst Förster conducts Academic Orchestra in works by Schumann, Tchaikovsky and Brahms. Tues: Virtuosi Saxoniae play Fasch, Telemann and Bach

GOTHENBURG

(7132 280)

Konserthuset Tonight, tomorrow: Neeme Järvi conducts Gothenburg Symphony Orchestra in popular works by Weber, Brahms, Suppe and others. Next Wed: concert performance of Carmen (167000) Stora Teatern Fri, Sun, Tues: Robin Stapleton conducts Francesca Zambello's production of Faistaff, with Ingvar Wixell. Four further performances till June 5 (131300)

■ HAMBURG

Staatsoper Tonight, Sat, Tues: Claus Peter Flor conducts Johannes Schaaf's new production of Entführung, with Schaaf as the Pasha. Tomorrow and Fri: John Neumeier's ballet on Mahler's Third Symphony, Sun; four choreographies by Mats Ek and Lar Lubovitch. Next Wed: Madama Butterfly (351721)

LYON

Lyon's Opéra, reconstructed at a cost of US\$90m to a design by Jean

Nouvel, opens its doors on Fri with the world premiere of Debussy's Rodrigue et Chimèna, conducted by Kent Nagano, staged by Georges I avaudant and designed by Jean-Pierre Vergler, with a cast Including Jules Bastin, Laurence Dala and Jean-Philippe Courtis (repeated May 23, 29, June 3, 5). The opening festivities also includa new productions of Les Contes d'Hoffmann conducted by Nagano, staged by Louis Erlo, with Galvez Vallejo, Gabriel Bacquier, Barbara Hendricks and José van Dam (May 15, 21, 24, 27, 30); Delibes' Coppelia choreographed by Maguy Marin (May 16, 22, 28, June 4. 7, g); and Lully's Phaéton, conducted by Marc Minkowski and produced by Larina Saporta (May 20, 26, 31. June 1, 6). Mstislav Rostropovich gives a cello recital on Sun (7828

■ MUNICH

Cuvilliés-Theater Tonight: Kenneth Riegel song recital (221316) **Deutsches Theater Tonight:** opening of two-week run of Rigoletto with young Italian singers (5523 4360) Prinzregententheater Tomorrow

evening, Sun morning: Peter Schneider conducts Bavarian State Orchestra in works by Haydn, Richard Strauss and Shostakovich. with soprano Cheryl Studer. Fri, Sat, next Tues, Wed: members of Bayarian State Ballet dance their own choreographies (221316) Herkulessaal der Residenz Fri Sat Riccardo Muti conducts Bavarian Radio Symphony Orchestra in symphonies by Mozart and

and Beethoven. Tues: Mischa Maisky cello recital (299901) Gasteig Fri: Konstantin Scherbakov plano recital (4809 8614)

Kammerphilharmonie in Rihm. Scelsi

Schumann, Mon: Heinrich Schiff

conducts Deutsche

■ STOCKHOLM

Berwaldhailen Tonight: Sylvain Cambrelino conducts Swedish Radio Symphony Orchestra In works by Ravel, Berg and Beethoven. Sat atternoon: Cambreling conducts Ravel, Larsson and Messiaen (784

Royal Opera Fri. Sat. Mon. Tues: Beryl Grey's production of Sleeping Beauty (248240)

■ STRASBOURG Théatre Municipal Tomorrow and

Fri: Friedrich Haider conducts two concerts devoted to orchestral songs of Richard Strauss, with soloists including Alessandra Marc. Vinson Cole, Bernd Weikl and Sabina Hass (8875 4823)

■ STUTTGART

Staatstheater There are two Ruth Berghaus productions on show this week: Mahagonny tonight in a staging revived from last season, and a new production of La traviata tomorrow and next Wed. Repertory includes Die Zauberflöte on Fri and a mixed bill of choreographies by Zanella and Béjart on Sat and next Tues (221795)

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Times Reports 1900

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from Bosnia know it's terri-ble." they ssy. just as bad in Armenia Abkhazia

Tajikistan and a lot worse in Sudan. Why do you go on about it?" I go on about it not primarily

for moral reasons but because l believe the security of Europe is threatened by the failure of European states to act on the principles they proclaim. Czechs and Slovaks, Rus-

sians aod Ukrainians have shown that a federal state can be dissolved without bloodshed. But the chances of it happening in Yugoslavia were oever good. Too many Serbs had drawn, from a selective reading of history, the conclusion that they would never be safe unless they all lived in one state. They were ready from the start to fight rather than accept the secession of Croatia or Bosnia-Hercegovina. Recognition of those states was therefore a cruel deception, unless the recognisers were able and willing to deter the Serbs from reacting with vio-

But it is no use crying over spilt milk. The question is what to do now. So far the Serbs have succeeded, by being better armed and more ruthless than their opponents, in seizing control of most of the territory where Serbs lived even where they were a minority - and "cleansing" it of other ethnic groups. This has created an unmanageable refugee problem, reminiscent in too many ways of the Palestinian one, and has set an appalling precedent for ethnic or national leaders elsewhere in central and eastern Europe, It must not be allowed to stand.

The Vance-Owen plan accepts the Serb logic, since it divides Bosnia-Hercegovina into orovinces all but one of which would be dominated by one ethnic group. But it attempts to apply that logic more fairly than the Serbs

themselves have dooe. The Bosnian Serbs do not like the plan because the provinces it assigns to them would not all be contiguous, either with each other or with Serbla proper, and because it requires them to withdraw from territory they now control, leaving some of their homes under

Twin track to Bosnia peace

Air attacks and military aid are complementary, not alternatives

"alien" domination. In those areas, they naturally fear, it would be their turn to be "ethnically cleansed".

The Bosnian Croats like the plan because it puts almost all their homes under their own political control. They have already set about making sure of that by doing some "ethnic cleansing" of their own.

The Moslems do not like the plan at all. It leaves them, the largest group, with the smallest area. The plan would give them hack some of the territory they have lost, but would

The Bosnian Serbs should be given one last chance to accept the Vance-Owen plan

still leave many of their homes outside their political control. Their chances of returning to those homes would be slim. Still, the Moslems have accepted the plan because it is their only chance of getting

international support. They too have been driven to accept the Serb logic, and start "cleans-ing" some of the areas they control Mr Slobodan Milosevic, the Serbian president, has suddenly emerged as a "goody" because he wants the Bosnian

Serbs to accept the plan, as he wanted the Croatian Serbs to accept the Vance plan in January 1992. He does not expect elther plan to be implemented. but hopes that a ceasefire now would get the International community off his back, while enabling the Bosnian Serbs to consolidate their gains (as the Croatian Serbs have done). Having got so far, the "inter-

national community" (meaning the west egged on by Moslem and other non-aligned states, dragging Russia nervously in its wake) should take Mr Milosevic at his word. He says he is cutting off all but humanitar-

ian aid to the Bosnian Serbs. The United Nations should respond by placing monitors all along the Yugoslav-Bosnian border and keeping them there until the Bosnian Serbs have not only signed the Vance-Owen plan but implemented it. Failing that, the military option is the only one. It need

not imply putting more external troops on the ground. It may even require withdrawing those troops that are now there, since it certainly requires dropping any idea that they are neutral. The military option means giving Bos-nia the means to defend itself: a fundamental right of any state, consecrated by Article 51 of the United Nations Charter. While the weapons are being flown in, Nato air power should be used to prevent the Serhs from launching an all-out assault.

At last, it seems, those two actions - arming the Bosnian government forces, and air attacks on their opponents are seen in Washington, if not yet in European capitals, as complementing each other, not as alternatives. That is vital, because neither by itself is likely to achieve what must be the objective; the defeat of those, whether Serb or Croat, who seek the partition of

If the Bosnian Serbs could be convinced that this strategy was really about to be put into force, they might well promptly accept the Vance-Owen plan as (from their point of view) the lesser evil. They should be given a last chance to do so. But once the military strategy went into action the plan should be dropped.

Ahraham Lincoln did not challenge slavery south of the Mason-Dixon line so long as there was a hope of avolding secession. But once Americans were fighting and dying to keep the country together, he proclaimed emancipation of the slaves throughout the

Similarly, the Vance-Owen plan can be defended as an alternative to war, but not as a war aim. If the war is to go on, the only acceptable outcome is one allowing all Bosnian citizens to return home freely and

or British holidaymak ers, safe summer tans will be a lot cheaper this year, thanks to the recent outbreak of price discounts on suncare products But for some of Britain's biggest retailers, the competitive pressures which have led to the price hattle threaten to

keep turning up the heat long after summer ends. Though other retailers such as Tesco, the supermarket group, have joined in, the real battle is between two protagonists: Boots, the country's largest chemists chain, and Superdrug, the fast-growing discount drugstore company which triggered hostilities hy cutting

branded suncare prices hy 25 per cent two weeks ago. This is Superdrug's aecond headline-grabbing price offen-sive in 18 months and follows its decision to discount fragrances by up to 30 per cent at 42 of its 680 stores. Heavy lob-bying by Superdrug has also prompted a Monopolies and Mergers Commission inquiry into the distribution practices of perfume manufacturers, which refuse to supply the

company directly. Though Boots has matched the perfume price cuts, it has done so gradually and only in outlets near Superdrug stores which sell fragrances. Its response in suncare products has been much more decisive. Days after Superdrug acted, Boots announced 30 per cent price cuts in all its 1,100

stores. The speed and scale of its reaction were deliberate. "One reason we have taken a high profile this time is to send a clear signal that we care about our market share," says Mr Gordon Hourston, managing director of Boots The Chemists (BTC), the division of the Nottingham-based group which operates the high-street stores.

At stake are much more than Boots' 47 per cent of the £110m UK suncare market and Superdrug's goal of doubling its share to 16 per cent this year. BTC points out in any case that suncare provides less than 2 per cent of its turnover and says it is confident of offsetting lower margins through higher sales volumes.

Far more worrying for Boots is the risk that if price bettles of this kind proliferate, they will reinforce the impression among consumers - already detected by the company's market research - that Its prices are too high and Its profit margins too fat.

Superdrug is adept at exploiting that impression. Not only has it won valuable free

Guy de Jonquières on a clash between two competing retailing strategies for the 1990s

Price war is not just skin deep

publicity by skilfully posing as a consumer champion: it misses no opportunity to por tray its larger rival as greedy. "In markets such as vitamins, photographic film or cosmetics. where Boots' share is 30 per cent or more, its margins are sky-high," says Mr Geoff Brady, Superdrug's marketing

director. Behind the knock-about rhet oric and PR stunts, though, lies a genuine clash between two business philosophies based on sharply different beliefs about what retailers need to do to prosper in the 1990s.

Boots is widely admired for its professionalism and, in particular, its effective use of sophisticated electronic information systems to manage the supply chain, keep tight control of stocks and analyse the sales and profit performance of each of its product lines.

The company is proud of lts record in using the resulting efficiency gains to deliver improved results to shareholders in the form of higher profit margins. Despite recession. BTC has raised profits from 8 per cent of sales to 10 per cent since 1990 - though other parts of the group have performed

Superdrug comes from a very different stable. Part of the Kingfisher group - which also owns Woolworths, the B&Q do-it-yourself chain and the Comet electrical stores - it is gulded by the "value retail-ing" principles of Sir Geoffrey Mulcahy, Kingfisher's chair-

Sir Geoffrey belleves consumers have become more dis cerning not just because of recession hut hecause they face ever wider choice. He has repeatedly argued that retailers must respond by emphasising value and accepting lower margins in return for volume growtb.

His radical views - partly inspired by the success of discount chains such as Wal-Mart in the US - have won supporters in the City. Some regard him as a prophet of a new wave of retailing, which will **Battling for business** CV STORE TO Feb 91 Feb 92 Jan 93 Jan 89 : Feb 90 Year ending 2,910 : 3,235 3,388.8 3,547.9 245.8 245.4 218.9 208.7

Margin (%)	8.S	8.4	. 7.6	6.5	
Profit and loss accoun	nt Boots The	Chemist	s (Em)		
Year ending March	88	89	90	91	92
Turnover	1,928	2,084	2,268	2,360	2,471
Trading profit	101	151	190	228	245
Margin (%)	, 5.3	72	8.4	9.7	9.9
Boots PLC divisions (Em)				
Phermaceuticals					
	88	89	90	.91	92
Turnover	519.2 :	524.6	583.8	628.8	699.2

225.6

Operating profit

95.3 111.1 : 115.1 | 120.8 539.3 681.2 624.6 24.0 , 27.3 -1,4 **Property** 0.7 Profit

vice, pricing is at the heart of the approach. It is exemplified Behind the PR stunts lies a clash between two business

philosophies

eventually sweep through the

that value retailing does not

mean neglecting customer ser-

Though Sir Geoffrey stresses

rest of the UK sector.

by B&Q's recent decision to offer permanent discounts on 500 popular product lines, and by similar, more limited, offers at Woolworths and Comet. Industry observers think Boots' margins on many items make further selective deepdiscount raids by Superdrug inevitable - a view the latter company has not sought to dispel, "I don't think there is an end to this process," says Mr Paul Deacon of Goldman Sachs. "Superdrug will move from product to product and keep pushing.

Apart from the favourable publicity it has generated Superdrug's higgest advantage is a low cost base. Though it is smartening up some of its stores, they are less lavishly equipped and often occupy less desirable sites than its larger

However, Superdrug faces several challenges. It has few in-store pharmacles, which account for a fifth of BTC's sales and are believed to be its most profitable business. Superdrug must also persuade Boots' main suppliers to sell it products. which some have been reluctant to do. MANCE

Mr Brady says that, to be Mr Brady says that, to be sure of supplies of suncare products, he has bought in advance and stocked enough to meet all this year's expected demand. He also doubts that he can continue to expand per-fume sales unless the MMC orders manufacturers to supply Superdrug direct, instead of forcing it to buy on the unauthorised "grey" market. Mr Deacon doubts that if an

all-out price war developed, Superdrug would emerge the winner, though he thinks it could damage Boots' margins. Mr Hourston says price cuts on only two product ranges do not even amount to a battle. But he says BTC is preparing to defend itself against the threat of further onslaughts by Superdrug and is considering a range of possible responses. Though he will not give details, he says: "If they do this

assume we will retaliate in precisely the same way."
He argues that while Boots aims to offer competitive prices, its strength also depends heavily on its commitment to high product quality. well-equipped stores and cus-tomer service. However, he admits this may be a two-edged

again, it would be wrong to

The impression can be created that, because of these investments. Boots is an expensive place to shop," he says - quickly insisting that this view is mistaken.

With 35,000 product lines, Boots can afford to subsidise price cuts on some from profits on others. However, Mr Hourston stresses that the compa-ny's financial goals make this only a temporary solution: if profits on individual products are inadequate, prices must be raised or the lines dropped.

Clearly, the extent to which Boots is obliged to adjust its marketing strategy depends heavily on when and how Superdrug steps up its offensive - and how long it lasts. Unlike Sir Geoffrey Mulcahy, Mr Hourston believes the current pricing pressures are transient and will recede once sustained economic growth resumes.

Which view is right may not become clear until much later this decade. But meanwhile, Boots may need to pay unusually close attention to what Mr Hourston calls "the lovely balance" between delivering the high margins which delight the City and the competitive prices need to keep customers loyal.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Insider dealing and those in the know

From Mr Godfrey Chandler. Sir, Those who worry about the extent of insider dealing sometimes fail to appreciate the natural potential effect of good and had news in a free market. There are, of course, a few flagrant cases. But the very fact that a limited number of people close to a company know of good or bad potential means that, whereas most of them will not buy before good news, nor sell before bad -they are unlikely to do the reverse. Therefore, a part of those closest to the company including advisers who might normally be sellers or support-ers - will "hold fire", reducing the weighting of one side of the market. Their absence from the market has its effect. This is especially true of small and medium-sized companies. Under the personalised jobbing system - pre-1986 - a jobber would soon have a quiet (or less quiet) word with the princlpals of any broking firm hringing suspicious business. In the new faceless market, matters are delayed and "official". Commercial standards are

lower - as they are with companies settling debts - in spite of broader rules. For, as Mr Wally Giles of Barings said on the introduction of the Take-Over Code: "If they had all read the 10 Commandments this would not be necessary". Godfrey Chandler, Stormont Court, Godden Green

Sevenoaks, Kent TN15 0JS

Context crucial in analysing Ukraine's nuclear position

news media has placed recently on Ukraine's delay in pursuing nuclear disarmament policies acceptable to the west, we were pleased to see that your editorial "Nuclear rift over Ukraine" (May 5) presented an unbiased and thoughtful analysis of

Ukraine's current position.
As presented in your editorial, failure by western governments to evaluate some of the underlying motives surrounding Ukraine's position on these issues, and to pursue policies aimed at satisfying these concerns, threatens to thwart reaching an agreement which all parties, including the Ukrai-

From Mr Vincheslan A seek to accomplish: the dismantling of nuclear weapons toon that the international news media has placed.

Nian government, ultimately seek to accomplish: the dismantling of nuclear weapons on Ukrainian soil.

Now media has placed.

Further, the inclination of the international news media to report peripheral events without placing them within a hroader context threatens to present a biased picture to the world of a country with potential strategic importance which is desperately attempting to define its role in geopolitical

concerns. With a population of more than 52m people and a land mass about equal to that of France, Ukraine is in the process of recognising this potential. Its relatively homogenous balance of 74 per cent ethnic Ukrainians and 21 per cent eth-nic Russians helps to solidify

ing the creation of a viable, democratic, nuclear-free state that offers opportunities for investment and trade which henefit both Ukraine and the rest of the world.

As an officer of one of the largest private companies in Ukraine, f found it refreshing to see that the Financial Times tcok a complete and responsihle look at the complex underlying issues and presented them in their proper context. Viacheslav A Skryghin, vice-president.

INTL communications. Ukrainian Financial Group. 15 Prorfznaya Street, Kiev, Ukraine 252034

Competition in the CD market

From Mr Barry H White
Sir, The letters you pnblished on May 10 uniformly attacked the idea of an inquiry into CD pricing.

willingly huy more CDs if the prices were lower, I was surprised at the lack of objectivity in the arguments. The price of a top-class classical CD is now £14.99 in the UK, having risen in the last few years from the price quoted by Mr Perry of £11.99. Perhaps he is not a fan of Nigel Kennedy or Herbert

van Karajan. The US price for the exact same items, which I verified through a computer on-line shopping mall offering these items in the US, was \$13.99, which equates to about £9.15. This is, contrary to Mr Dea-con's comment, 40 per cent lower, not 10 to 15 per cent. Finally, Ms Gordon's fears of illicit imports and inconsisten-cies in different markets would create no new problems than

already exist for other

imported goods. There may indeed be prob-lems for the distributors if changes occur but the discrepancies in pricing compared with the US are there for all to see, and without legally created barriers to import competition I doubt that these market imperfections could

Sarry H White, Hecht Heyworth & Alcan, 51 Fordington Road, Highgate, London No 4TH

survive.

Disastrously cocksure

From Mr I J Bufton. Sir, Another refreshing stream of opinionated political cynicism from Joe Rogaly: "A few (slc) local authorities changing political colour means little now that the Tories heve stripped so much power from the counties" ("Where comedy is king".

May 7). The government's disastrous electoral results that very day stem from many factors. One was a cocksure assumption that ministers could trample over local democracy with impunity.

50 Kelmscott Road, Birmingham B17 8QN

An unfair, but particularly British, moan about Don Quixote

From Jorg Schimmelpfennig. Sir, For most of the time Clement Crisp's ballet reviews make for enjoyable reading. They are critical in the origipositive, meaning of the word and are enriched with lots of historical details reflecting Mr Crisp's profound knowledge of the matter. His destructive views on the Royal Ballet's new production "Don Quixote" (April 10 and April 28), however, and much more so the supporting letter by Mr Varcoe-Cocks (Letters, May 8),

ease called moaning.
Marc Thompson's admittedly

glance possibly disillusioning, designs serve the real purpose of ballet designs, which is help-ing the mind and the eye, to concentrate on the very danc-ing itself (that is, supporting it instead of competing with it), and are at the same time a most promising way of introdu-cing classical ballet to a wider and younger audience. The latter point especially is essential

for classical dancing to survive well into the next century.

On the night that I was fortunate enough to attend the performance the dancing was splendldly and most beautisplendidly and most beauti-fully delivered by Leanne Ben-jamin, Jose Manuel Carreno and the supporting cast and was ohviously very much

majority of a near-capacity audience as well. l only hope the reasons for some of the seats being left

enjoyed not only by the artists

themselves but by the vast

empty have nothing to do with Mr Crisp's views, which this time were far too conservative (or may I say, ea an elderly lady sitting just beside me suggested) reactionary, ft

would have been a pity.
The Royal Ballet can only be congratulated for sticking to its way by including "Don Quixote" in the 1993-94 season programme as well.

Jorg Schimmelpfennig,

Department of Economics, Universitat Osnabruck,

les Echos

Le Business Daily

640,000* French decision-makers always

start the day with a full breakfast.

enjoyed in France, one is particularly suited to the

taste of French decision-makers: les Echos, France's

Readership Survey (EBRS) speak for themselves: les

Echos is read by 61.4% of the country's top managers,

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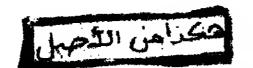
kading business newspaper.

Among the many fine table traditions

The results of the 1991 European Business

remind me of that British dis-

very unusual, and at first



FINANCIAL TIMES

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Wednesday May 12 1993

Towards sound money

THE CONVENTIONAL argument for making central banks independent is that politicians cannot be relied on to conduct a responsible monetary policy because of electoral pressures. How ironic, then, that France should now be introducing legislation to reduce political control over the Banque de France after an election in which the main parties of both right and left were committed to policies of exceptional monetary stringency. The outcome will reinforce suspicions of reverse causality in the statistical evidence that countries with independent central banks have lower rates of inflation. Those countries where there is a genuine consensus for low inflation, as in France over the past 10 years, will naturally be more prone to remove control of monetary policy from politicians.

San.st

Not that this invalidates the case for independent central banking. Since it is now widely accepted that there is no medium or long-term trade-off hetween higher inflation and higher output, the monetary authorities can only aspire to achieve the limited goal of price stability. Certainly tha British experience indicates that shorter-term gains in output and employment from unanticipated inflation simply result over a period of years in more inflation for the same level of output.

How far a restructured and more autonomous Banque de France will add to an already credihle French monetary policy is nonetheless a most point. The government proposes to retain control over decisions on the exchange rata. As long as the Bundesbank remains the anchor of the European exchange rate mechanism and the French government remains committed to present parities, this implies that central bank decisions about inter-

est rates are of limited import. By the same token, if the resolve to maintain tha franc fort policy should weaken, the reconstituted central bank would have little say in the decision. Should the franc replace the D-Mark as the anchor of the system before any move to monetary union, the institutional arrangements would inevitably take on increased significance,

The French government pro-poses that the jobs of the governor, two deputy governors and a group of six experts remain, in effect, within the government'a gift, but with a measure of inde-pendence coming from lengthy tenure - six years for the top trio and nine for the experts. This is a less powerful formula than the one with which a federal system has endowed the Bundesbank, It has more in common with the US Federal Reserve, where appointments are made by the adminis-tration. The question is whether the clubbiness of the elite that dominatea French economic policy-making will result in rather less independence than the outward forms might indicate.

Equally important is the ques tion of accountability. The bank's chief objective of price stability, which mirrors the Maastricht treaty's European central banking model, is undefined, while proce dures for monitoring performance are opaque. But the fact that a retreat from disinflationary policy will require a legislative process is an important discipline.

Yet the benefits of central bank independence are probably greatest for countries such as Britain, where past failure has undermined the credibility of monetary policy. In the UK, more than in France, institutional reform is needed. Merely changing the face at the top of the British Treasury

Unbundling

THE UNBUNDLING of South Africa's economy has begun. Gencor's decision yesterday to hand over to its shareholders the stakes." it owns in a wide-ranging collection of industrial subsidiaries is the first step in a process that will reshape South African husiness.

It has not come a moment too soon. The tensions that have bedevilled South Africa's economy - between corporatism and free enterprise, between English-speak-ers and Afrikaners, between the boundless wealth of the mining houses and the slim pickings of manufacturing - have laft the country with a top-heavy corporate structure. Six groupings control 80 per cent of the total capitalisation of the Johannesburg Stock Exchange.

Now, prodded by politicians from the National party as well as by the African National Congress, big business is starting to think of becoming a bit less bloated. Tax concessions for unbundling from Mr Derek Keys - the finance minister but before that boss of Gencor - have eased the way.

Yet so far only Gencor has indicated a serious interest in the subject. Tha other big groups are doubtless studying the proposition, but so far without, apparently, making the emotional leap into the unknown.

That is a pity. Sonth Africa needs to set its companies free from the strangling embrace of the big groups. Setting operating companies free to sink or swim will itself improve the quality of South African management. The arguement against such a process is that it will open the way for corporate raiders, asset-stripping and all the other accourrements of Anglo-Saxon capitalism.

They are certainly a mixed blessing. But if ever a country cried out for them, it is South Africa. Vulnerability to takeover concentrates managers' minds, and gives fresh energy to their actions. South Africans of all races, all incomes and all political persuasions would benefit from the application of a little unfettered capitalism. Gencor has led

Italy's tangle

ITALIAN CAPITALISM, like kind from unscrupulous outsiders Oscar Wilde's Dorian Gray, appears to exist in two strikingly different guises. Its outward-turning features radiate the resource-fuiness which since the second world war has given Italy one of Europe's fastest economic growth rates. This performance, while strongest among Italy'a array of medium-sized companies, has turned some leaders of large Italian groups into international figures. It has also rewarded the country with a GDP per head (based on official figures) higher than that of the UK and united Germany.

The secret countenance of corporate Italy is much less pleasant to behold, but until recently has been mainly hidden. This face has now been revealed by investigations into corruption during the past 15 months in which more than 1,000 senior politicians and businessmen, many of them from Italy's leading corporations, have been implicated. Italian executives stand accused of connivance in a network of systematic bribery which has defrauded large sums from the public purse and helped keep in power a generation of flawed politicians.

As a result of the energy of the magistrature and the long-suppressed indignation of the public, the edifice of malpractice has started to crumble. For the larger companies caught up in the fray, an exercise in damage limitation is under way. Flat, Italy's biggest private-sector group, which has seen more than half a dozen of its top executives arrested, interrogated or briefly detained in corruption inquiries, yesterday unveiled a strict code of business ethics to stop Fiat employees accepting payment in money or in

On one level, this is an attempt to demonstrate that Fiat is make ing a genuine effort to adopt more transparent practices in line with those ruling, say, in the US. On another level, by mounting an internal and external campaign against kickbacks, Fiat seems to be trying to win less harsh treatment for its executives ensuared in the judicial net. Mr Cesare Romiti, Fiat's chief executive, who previously complained about overinquisitive magistrates, has switched to helping them with their inquiries, and exhorting other company chiefs to do the

Fiat'a appeal to Italian industrialists may turn out to be a full-hearted bid to support the country's political reforms. But if the company is simply trying to avoid prosecutions of individuals on the grounds that they were forced to misbehave by the politicians, this is likely to bring discredit.

A spirit of co-operation - seen most vividly in Italy's close-knit business networks - has been a vital source of its economic dynamism. But when such networks give rise to self-serving or even criminal collusion among corporations or among corporations, politicians and the state, they are consistent neither with desirable standards of public morality, nor with Italy's wish to move closer to the head of Europe's economic league. The programme of privatisation of state enterprises is one way of freeing Italy's considerable reserves of dynamism. Yet unless Italian companies co-operate fully in the current attempt to unravel an inefficient and self-destructive tangle of corruption, the dream of a reformed Italy will remain unful-

he international Monetary Fund does not, for once, hold all the bargaining chips. Negotia-tors are in Moscow this week to thrash out a tough credit plan with the Russian government, without which no western aid can flow. But they know that the west is determined to start releasing funds soon, no matter what kind of agreement is reached or whether it can be implemented.

Financial considerations alone no longer dictate the west's aid strategy to the former Soviet Union. much to the IMF's dismay. Officials from the Group of Seven industrialised countries say they are determined not to see a repeat of last year, when only \$1bn of an original \$24bn aid package was dishursed because the Russian government was unable to meet the IMF's tough financial conditions.

"The G7 did a lousy job last year," admitted one senior G7 official. "A good opportunity was lost because the IMF tried to nail down too many details. We are determined not to see that happen

At their meeting in Tokyo four weeks ago, the G7 foreign and finance ministers announced a headline figure of nearly \$44bn of assistance to Russia over the next year from the IMF, the World Bank and in bilateral aid. (Both the IMF and the World Bank receive the bulk of their funding from the G7.) But the ministers told the fund to dispense with its normal practice of waiting for a track record of financial discipline before releasing aid. Instead, they instructed the IMF

to offer each former Soviet republic fast disbursing aid - labelled a "systamic transformation facility' half of which would be paid immediately to any government demon-strating a "credible" reform strategy. For Russia this facility will provide \$3bn. The IMF was also told to begin to disburse to Russia a further \$4bn in standby loans by, at the latest. October 1, and preferably before the July G7 summit in Tokyo. The World Bank is being pressed to lend about \$4bn during its next fiscal year, which runs from next month to June 1994. The recent Tokyo meeting posed

a problem for both the bank and the fund - and potentially a crisis of authority. According to a senior bank official, the GT'a command that the bank and the IMF must come to an agreement with the Russians is "unprecedented in the annals of the bank or the fund, in any country. Nothing is remotely comparable' Anothar bank official aaid that

"the danger is that our reputation and our expertise will be debauched. We are big organisations which have built up a large body of expertise. Now we are being

Much ado about lending

Financial considerations alone no longer dictate aid strategy for Russia, say Edward Balls and John Lloyd

told: just do it. What happens to morale? And what about those countries which also didn't meet the criteria we set and didn't get the money. You can bet there is a lot of screaming going on behind the walls in Washington."

Life had already become increasingly uncomfortable for the IMF, even hefore these new pressures were applied. "Last year," said one IMF official, "was a disaster. But it has been a disaster not just for Rus-sia, but for the IMF itself." At the root of the west's difficul-

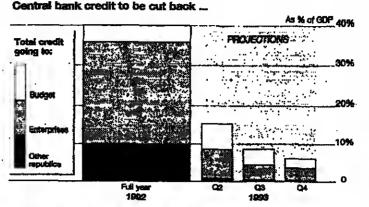
ties is Russia's failure to meet the stringent targets set down for the receipt of ald. The reformers, con-stantly fighting for their political lives and warring with Mr Victor Gerashchenko, central bank chair-man, were unable to bring inflation down to 9 per cent a month by the end of 1992 by cutting state spending and central bank credits - the basic condition for assistance. Consumer prices rose by 25 per cent in December alone, and, while the official budget deficit was only 4 per cent of GDP, total credits issued by the central bank to the state sector totalled 40 per cent of GDP.

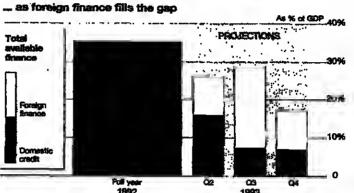
If anything, the prospects for economic reform have deteriorated further in the past few weeks. Both the Russian government and central hank continue to sanction ever more credits for loss-making state enterprises, while President Boris Yeltsin'a recent cabinet changes have appeared contradictory. Since his election victory two weeks ago. he has appointed two deputy prime ministers without known commitment to reform, although senior sackings yesterday may signal that ha is willing to strengthen the course of economic transformation

The IMF argues that its inability to lend more is the result of the Russian government's financial profligacy, not excessive caution. Mr Michel Camdessus, the IMF managing director, wrote recently in the daily Russian newspaper Izvestia that the fund could oot lend money to inflation-wracked Russia only to see it leave the country as investors took flight from a falling rouble.

Since those remarks, the west has had a change of heart. First, west-

Russia's stabilisation plan





ern governments, seeing reform stagger and aometimes go into reverse last year, have become more aware of the consequences of failure. President Clinton illustrated the shift in attitude in a speech oon April 1: "If Russia's reforms turn sour, if it reverts to authoritarianism or disintegrates into chaos, the world cannot afford the strife of the former Yugoslavia replicated in a nation as big as Russia.'

Second, the Clinton administration has been influenced by western advisers to the Russian government, who have, at times, mounted a ferocious critique of what they term the passivity and alleged incompetence of the IMF. Professor Jeffrey Sachs of Harvard University, who has led this attack, says the IMF has proved incapable of thinking tactically and continued to view aid as a reward for success, rather than a pre-condition. "The IMF has refused to agree realistic targets which take into account the amount of available foreign financing," he said.

In Tokyo, the G7 ministers "encouraged" the IMF "to play a more active rola". G7 officials now say the Russian government must erely demonstrate that it intends to bring credit creation under control and cut subsidies to enterprises before aid can start to flow as early as the end of this month.

But the lack of a Russian track record of discipline frightens financial institutions. "The bank and the fund are now under enormous pressure to provide assistance and pro-vide it quick," said one senior

World Bank official. "And the message is we shouldn't be too worried about conditions. This is very difficult to do, not just in terms of our responsibility to our donors, but

also organisationally."
G7 officials rebut the suggestion that aid will now, in practice, be unconditional. "We have focused conditionality, not weakened it," said Mr Lawrence Summers, assistant secretary for international affairs st the US Treasury.

Nonetheless, growing tensions between the G7 and the interna-tional financial institutions remain, and cannot be dismissed as a mere disagreement over strategy. The institutions have to think of life after Russian reform - and of their standing with other, often poorer, members in Latin America and Africa.

G7 officials counter that the international financial institutions set too much store by economic conditions and fail to recognise political realities. "Let'a not get overiy misty-eyed about conditions," said one senior G7 official. "How much conditionality was there in the average Argentine programme in recent

years?"
"G7 officials do not believe that it is appropriate to lend regardless of what is going on in Russia," he added. "But the task now is to push the Russians to do the right thing. We cannot wait to oegotiate every

he G7's hold strategy is supported by Professor Stanley Fischer, previously chief economist at the World Bank and now an adviser to the bank from his base at the Massachusetts Institute of Technology. He is worried, however, about the capacity of the Russians to implement reform.

"It is possible that the institutions' credibility will be damaged, although probably much less than they now fear," he said. "But while the west must not be seen to be supporting everything the Russians do, it must still support them in a

The US backs that view, believing that aid is essential now to buy time while reformers in the Russian government pursue the accelerating privatisation programme and economic restructuring. But the policy seems likely to meet resistance from senior officials in the IMF and World Bank who fear that the money will be wasted, and that they will be blamed.

"One can debate the niceties," said a senior World Bank official, "hut at some point we must ask - is it likely that the Russian government will deliver on a consistent economic programme? My view is that it will not. I think the G7 will be proved wrong and I don't think it will be our fault."

How to make the Ecu user-friendly



for Europe, as laid down by the Maastricht treaty? I have my doubts. The Community's 340m PERSONAL citizens are unlikely VIEW to accept a strange new currency that

none of them knows - any more than Europeans were willing to accept Esperanto as a common language earlier this century. Just as English, with American

help, has become the lingua franca of Europe, so the Continent'a single currency will probably be the one most familiar to a large proportion of the population. Most likely, It will be the D-Mark.

The Ecu is weighted against a basket of EC currencies: It was created as a "European" currency, neutral in nationalistic terms. It is widely used in Eurobond transactions, and an Ecu clearing system is managed by commercial banks. Further, it is used as a unit of account between governments, as well as by some European companies.

However, the Ecu bas some overwhelming practical disadvantages. DM1.953 to the Ecu. the single currency It is viewed by the market simply as one more foreign currency. Its value is not known outside professional circles. There are no Ecu notes and coins, nor are consumer goods priced in Ecu.

Additionally, the Maastricht plan for economic and monetary union (Emu) suffers from a serious technical drawback. According to the Emu timetable, member currencies exchange rates will be permanently fixed in terms of Ecus at the start of Stage 3 - which could be in 1997 or (more likely) 1999. Thus the value of the Ecu will not be known until the close of business on the last working day before Stage 3 starts. Since the closing market rates are

likely to be expressed to four deci-mal places, consumers and savers will be expected to learn to live with the new currency at a complicated conversion rate. The Ecu can be saved only if it is made much more user-friendly. The simplest way to achieve this is to fix the Ecu/D-Mark parlty Ecul.00=DM2.00 from the beginning of Stage 2 on January 1 1994. This

compares with the present rata of in tha Ecu basket, is by far the best number

cise interpretation of the wording of the Maastricht treaty. Article 109g states that, from the beginning of Stage 2, "the currency composition of the Ecu basket shall not be changed". If this article were taken to mean that the percentage weighting (rather than, as at present, the

A scheme to allow the Ecu's value to become instantly recognisable is necessary

fixed amount) of each currency within the Ecu basket shall not be changed, it would need only a minor adjustment over the 1994 New Year weekend to reset Ecu cur-rency weights to produce a fixed value of DM2.

This scheme would allow the Ecu's value to become instantly recognisable. The D Mark, which has a weighting of about 32 per cent

known currency among Community PFr100=DM30=Ecu15. The process would require a pre- consumers. The Emu planning process for banks and industry could begin in Stage 2, assisting the transition. New German notes and coins could be issued during Stage 2 showing both the Ecu and D-Mark value. The Bundesbank would still have to surrender influence over monetary policy to the European central bank. At the same time, one of the Bundesbank and the German people's main objections to Emu would be removed. They would keep the D-Mark; the Ecu would become the "Doppelmark". For France, such a plan might

bring some loss of face. But the "basket" concept of the Ecu would be preserved, albeit in a more cosmetic guise. The French could permanently fix the franc against the D-Mark at the beginning of Stage 2. France could then issue Ecu notes which could be co-ordinated with German designs and made legal tender in both countries. Following the French government's success in weathering currency turbulence on the foreign exchange markets since last autumn, the ohvious round My proposal would hring an

important challenge for Britain which clearly does not want to be left out of a mova towards a single European currency. Britain is close to an important round number relationship with the DM/Ecu. At DM2.50, the Ecu would be worth 80 pence. Should Britain decide to rejoin the exchange rate mechanism at or after the start of Stage 2 at a fixed rate of DM2.50, the British public would have a reasonably simple conversion to make. Britain, too, could experiment ahead of Stage 3 by issuing some £20 notes showing their fixed equivalent value at DM50 and Ecu25.

If people object to the word Ecu, the Financial Times (and perhaps the Sun) could sponsor a poll to choose a more appealing name. Why not rehabilitate the "guinea"?

Lord Cobbold

The author is managing director of Gaiacorp Currency Managers

Lesson from Vienna

 One calculation seems to have been overlooked during Monday's sometimes acrimonious debate about the imposition of VAT on British fuel bills.

How much extra will It cost if higher fuel bills force more freezing pensioners into state-subsidised nursing homes earlier than planned?

Presumably, a statistically minded chap like Peter Lilley, secretary of state for social security, has asked someone to add it up. If he hasn't then he ought to have a word with his opposite number

in Vienna. It seems that the socialist city fathers of Austria's capital have concluded that the most economical policy of all is to provide free heating for old age pensioners.

Admittedly, Austria is a colder place than Britain and probably has a better social safety net. Even so the argument still sounds applicable to the UK.

Given that fear of winter cold was driving an increasing number of OAPs into local nursing homes, the Viennese authorities concluded that it would be worth providing old people on low incomes with free district heating and home

insulation. If, by so doing, they could keep these old Viennese in their flats for just two additional years rather

than seeking permanent shelter in nursing homes, the programme would pay for itself. In practice, the Viennese are staying an additional five years in their flats compared with the period before the free heating began.

UK nursing home care is more limited and less plush than in Vienna, hut it would be surprising if the addition of VAT to heating bills - if not fully reimbursed for OAPs - did not lead to a corresponding rise in nursing home

care and end up perhaps costing the Exchequer more than the tax it will yield.

Prison duty

For a man who spends most of his time in prisons, ex Watergate villain Charles W "Chuck" Colson seemed unusually worried about the health of the British pound

Colson, a 61-year-old ex-US Marine Corps captain, has just won the world's biggest religious award - the Templeton prize for progress in religion. For some strange reason Sir John Templeton, one of the world's most astute fund managers, made the mistake of donating his £650,000 prize in sterling, and Colson, despite being a born again Christian, is acutely aware that the pound has been going through

a bit of a rough patch. Not that he gets to keep the money for himself - it is all going to his Prison Fellowship - but he wants value for money.

BANX

OBSERVER



'You're a man of the world - what does scapegoat taste like?'

Although Colson's role in the downfall of President Nixon is history he still resembles the powerful Washington powerbroker he once was. A person who can be relied on to get things done. Only nowadays, he channels all his energies into his worldwide network of prison ministries. With over 280 staff and 50,000 volunteers his empire operates in 55 countries.

If you want to talk prisons, Colson's your man and his considerable achievement has been deservedly recognised by an award which has already gone to people like Mother Teresa, Dr Billy Graham and Lord Jakobovits. Colson's conclusion that there is

no better way to destroy a person than give them nothing to do is a grim verdict on the lack of proper work lor the inmates of prisons in Britain and elsewhere.

World Bank watch

■ The hunt for Larry Summers' replacement as the World Bank's economic guru seems to be taking an inordinately long time. Admittedly, Michael Bruno, former governor of the Bank of Israel, has ruled himself out by taking a similar joh at Jacques Attali's EBRD. But there are plenty of other contenders. Since there are not many Brits

in top positions at the Bank and the joh will probably go to a non-American, how about Richard Layard, 59, professor of Economics at the London School of Economics? He is best remembered in Whitehall for pointing out flaws in the Thatcher government's presentation of unemployment

figures, but as an adviser to the Yeltsin government he has first hand experience of the problems of former communist economies - a central part of the bank's portfolio in the 1990s.

If he is too old or lacks intellectual gravitas, there are plenty of other candidates in Britain and elsewhere. Lewis Preston, the World Bank president and former J P Morgan banker. seems to be determined to find somebody with whom he feels personally comfortable.

But with pressing challenges in the former Soviet Union and alsewhere, he shouldn't dilly dally much longer. Even economists need

Trailing Birt

■ Want to get to the top in the BBC? Take a compass bearing on Bob Phillis, the new deputy director-general. After little more than a month in the job, Phillis has set off for the Himalayas.

It might seem a bit early to take a holiday, even hy civil service standards. But that misses the point. He is following in the footsteps of his new master – John Birt - who travelled to Nepal to think great thoughts about the future of the Beeb before he became

its dg. Phillis's official reason for his early pilgrimage is that he wants to visit son Ben who is teaching English there before going to university in the autumn. But cynical BBC types are wondering whether there is more to his

mission than meets the eye. Could It be that the necessary induction process into the highest peaks of the BBC management is not complete without at least one visit to a Trappist monastery?

Meant well

■ Spotted in the visitors book of a hotel in India.

"A wonderful stay - spoilt by the



FINANCIAL TIMES

Wednesday May 12 1993

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Anthor Salman Rushdie, subject of a death sentence imposed by Iranian spiritual leader Ayatollah Khomeini four years ago, talks to the press after a meeting with UK prime minister John Major symbolising the British government's support for his cause

Fiat issues anti-corruption code for employees in Italy

By Haig Simonian in Milan

FIAT, Italy's biggest private company, yesterday sought to distance itself from the growing political corruption scandal hy Issuing a new "code of business

The move is expected to be followed by other hig Italian companies, including the state-owned Eni energy and chemicals group, which has also been implicated in allegations of corruption and kickbacks on public-sector

The code, drawn up by a team of lawyers headed by Mr Franzo Grande Stevens, a close adviser of Fiat's controlling Agnelli fam-lly, sets out behaviour for employees towards government officials, political parties and civil servants. It supplements an existing "Internal" code regarding Issues such as conflicts of interest and insider trading.

special board meeting yesterday, specifically forbids any form of

the public sector. The han also applies to any financial inducements to public servants or politicians in covert form, such as sponsorship, advertising or cos-metic "consultancy" agreements. "No group employee must

romise or pay money or benefits kind of whatever nature or value to any public sector official to promote or favour the Interests of one or more group companies, even as a result of illegal pressure," it says, Though not made explicit, the

penality for non-observance would be termination of a worker's contract. The same requirements will have to be met by sub-contractors or freelances working on behalf of Flat or its subsidiaries, which will have to make a commitment to respect the strict conditions.

All employees whose jobs are likely to expose them to the areas covered by code will have to sign The document, approved at a a copy of the document. The company said implementation throughout the group would be bribery or kickbacks involving slow, as the code would only

come into operation in each of the roughly 1,000 separate companies after being approved by their respective boards.

The code does not extend to dealings with other private sector companies or the behaviour of Fiat executives abroad, although the company said it was expected that the code would in time be extended outside Italy.

Fiat employees most likely to be asked to sign are those dealing with sales and marketing, relations with the public sector and lohbying, and purchasing. Flat's initiative came as magis-

trates recalled for questioning Mr

Francesco Paolo Mattioll, its

chief financial officer, who has been under bouse arrest. Milan magistrates are believed to be investigating conflicting testimony from Fiat executives regarding the role of the group's Cogefar-Impresit construction

subsidiary, chaired by Mr Ex-communists accused, Page 2

Editorial comment, Page 15 Spaniard lost for words walks

out of senior post in Brussels By David Gardner in Brussels

THE SUDDEN resignation of the European Commission's director-general for social affairs has cast an embarrassing spotlight on how the EC fills its senior jobs. It also calls into question bow seriously the Community takes its amhition of building a "social dimension" into European integration.

Mr Sigismundo Crespo, the Spanish director-general of DG5 (social policy) in the Commission left Brussels late last week, leaving a note for his secretary saying be would not be back.

in a subsequent, sharply worded fax from Madrid to commission president Jacques Delors, he confirmed his resignation. A furious Mr Delors has now summoned Mr Crespo to see him, one senior official said yes-

Official explanations for his departure vary. Mr Crespo was unions the assets seized by

them. Mr Longuet has already

told Bull, the lossmaking com-

puter company which last year

received a FFr2.5bn (\$460m) state

injection, to produce a new strat-

egy to ensure that it no longer had to be bailed ont by the gov-

ernment. He said the the govern-

ment might in future be more

amenable to international inves-

tors taking stakes in Bull as IBM

of the US and Japan's NEC have

munications group, is another

France Telecom, the telecom-

Continued from Page 1

said by one official to have suffered a family tragedy. But he is understood to have complained in his fax that his lines of communication inside the commission had been deliherately

blocked. Mr Crespo took over DG5 in October. However, it was known that the social affairs directorate had been earmarked for a Spaniard as long ago as February 1991, because of a reshuffle of top Commission jobs which left Spain one directorate-general

With Spain and other member states unyielding over their infor-mal quotas of top jobs. Brussels sought a Spaniard of high calibre. Highly regarded Spaniards within the Commission, like Mr Eneko Landaburu, the Basque head of regional policy, were not interested.

Mr Crespo, known in Spain for transferring back to the trades

French plan central bank's independence

investment. Mr Longuet said it

should constder forging links

with other European telecommu-

nications concerns, or industrial

groups, to take advantage of the liberalisation of the European

Community telecommunications

market in 1998. France Telecom has formed a number of interna-

tional joint ventures in Eastern

This shift in industrial policy is

agmatic liberal", rejected the

partly the product of ideology. Mr Longuet, styling himself as a

old-style French strategy whereby the government sup-

Europe and Latin America.

Franco, was sent from Madrid and found immediately to be out of his depth.

His main bandicap was linguis tic. Although be spoke French, be was unable to communicate in English with his boss, Mr Padraig Flynn, the Irish commissioner for social affairs. Mr Flynn has no French and had placed British and Irish officials alongside and immediately under Mr Crespo,

bemming him in.
The affair comes at a time when Brussels has been at cross purposes on social policy. Mr Flynn has won support from the 12 to prepare an EC-wide jobs tnitiative. However, it emerges that Mr Delors has been working discreetly on a similar initiative, using his own network within

The resignation is also an embarrassment to Madrid, where Mr Felipe González's socialist government faces losing its electoral majority in three weeks.

which were considered to be stra-

tegically important. His approach

is reflected in the new govern-

ment's privatisation programme.

which envisages selling a wide range of financial and industrial

Mr Longuet, who outlined his policy the day after Mr Edouard

Balladur, prime minister, unveiled his "austerity" budget, said the approach was also due to

budgetary constraints. The cur-

rent pressures on the French

economy, he said, gave the gov-

ernment "no room for manoeu-

vre" to provide new investment

groups to the private sector.

Waigel urged to take over as Bavarian premier

By Quentin Peel in Bonn

TURMOIL within the German political establishment looks set to cause further upheaval in the government, with growing pres-sure on Mr Theo Waigel, the finance minister and close ally of Chancellor Helmut Rohl, to quit and take over as state premier in his home base of Bavaria.

Reports yesterday said Mr Wai-gel, a symbol of stability and key figure in the ruling coalition, is to return to Munich and replace Mr Max Streibl, his protege in the Bavaria-based Christian Social

Union, as prime minister.

The move could aggravate the current climate of uncertainty surrounding the German government, by bringing an unfamiliar politician to the finance ministry at a critical moment in the struggle to bring government spending under control in the wake of Ger man reunification.

The leading contender for that job is said to be Mr Rudolf Seiters, the interior minister in Bonn and former head of the chancellor's office. However, Mr Seiters lacks any background in

finance or economics. At the same time Mr Waigel's move would be intended to bolster the position of the CSU in Bavaria, where his party faces a growing challenge from the farrightwing Republicans in next year's state, national and Euro-

pean elections. Mr Streibl is under enormous pressure to quit as Bavarian premier, because of reports that he accepted free bolidays from a

business friend. The whole resbuffle, confidently forecast yesterday by the conservative newspaper Dle Welt, depends on the outcome of a struggle for power within the CSU, sister-party of Mr Kohl's Christian Democratic Union in

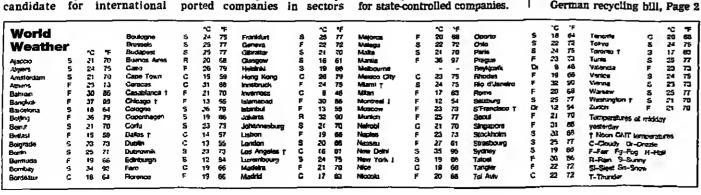
the ruling coalition. If Mr Waigel, the party leader comes out on top, he will go home to replace Mr Streibl, whose resignation is now taken for granted. If he loses, he will stay in Bonn as finance minister. His great rival for the state premier's job is Mr Edmund Stoiber currently interior minister in

Bavaria, widely regarded as the strong man of the party, and a close associate of the late Bavarian leader. Mr Franz-Josef Strauss. Insiders say be does not want to go to Bonn, where he would be offered the job of federal government interior minister, but wants to become state premier himself.

in Bonn Mr Stoiber could be a positive asset to the federal gov-ernment in the promised position of interior minister. He is seen as a stern, conservative advocate of law and order, likely to he a big issue in the 1994 elections.

However, Mr Kohl might prefer such a forceful character to take over in Bavaria, leaving him the good-bumoured Mr Waigel to the unpopular job of penny-pinching finance minister.

German recycling bill, Page 2



THE LEX COLUMN

Separate development

Gencor's long-awaited decision to demerge its non-mining interests looks like a sensible response to changing political circumstances in South Africa. The African National Congress has voiced strong opposition to the complex webs of cross shareholdings between South African companies. Gencor has decided to jump before it was pushed. The former chairman, Mr Derek Keys, did much to transform Gencor's insular culture. As finance minister, he has had responsibility for the legislation which will make such

unbundling easier.
The financial rationale for the move. however, looks more specious. While the managements of the individual husinesses may have greater flexibil-ity, Sankorp and Rembrandt will still have near-controlling stakes in each of the companies - most notably in Gencor's mining operations. Since the move has been well flagged, Gencor's discount to net assets is also unlikely to improve much. Foreign investors are still more likely to he deterred by the political risks of investing in South Africa however transparent the structure of corporate ownership.

This demerger will also increase pressure on other combines. Life assurance companies which control a large segment of domestic savings may be forced to unwind their com-plex cross shareholdings in industrial companies. The greatest discomfort, however, will be felt in the Anglo American Corporation, which effectively controls almost a quarter of the quoted South African market. The Oppenheimer family's resistance to unbundling will doubtless continue, and the creation of De Beers Centenary in Switzerland creates a trap-door escape from South Africa. But skill will be needed if the Anglo pyramid is not to become a monument to a weakened dynasty.

Inchcape

At first glance, Inchcape's acquisi-tion of a stake in Gestetner looks a cheap and canny deal. Incheape is limiting the risks of buying into 2 struggling photocopier distributor by staggering its investment. The immediate acquisition of 15 per cent of Gestetner's shares at a minimal premium buys it two seats on the board and access to management accounts. Toe purchase of the option to buy its entire convertible unsecured loan stock before 1994 gives It greater exposure if it likes what it sees. inchcape is attracted to the recovery

FT-SE Index: 2836.1 (+6.3) **General Accident** are once relative to the

value which seemingly lies in a business making small profits on £900m of sales. But the vendor is clearly selling cheap for a reason. The softness of Gestetner's markets in mainland Europe suggests it will be a long, bard slog to return to respectable margins. inchcape regards the investment as somewhat speculative; shareholders should perhaps do likewise. Some, though, may have misgivings about the change in strategic thrust should the Gestetner involvement develop significantly. Inchcape's primary attraction for many investors is its exposure to the blossoming southern Chinese economy. For them, at least, Gestetner may prove an unwelcome

General Accident

General Accident continues to defy those expecting it to launch a rights issue. First-quarter results showing a solvency margin of over 46 per cent, despite an 11 per cent increase in premium income on general business, leave nienty of room for further expansion. There are some technical factors behind the £71m swing in profits. Two successive preference share issues have allowed the company to pay down debt. belping reduce the interest charge by £9m. Last year's generous transfers to technical reserves have the indirect effect of boosting investment income. Marginally smaller transfers this year accentuated the Improvement in the underwriting

Still, the extent of the underwriting turnround came as a surprise, particularly in the UK which is almost breaking even. Since the first quarter is traditionally weak, one can now pencil in pre-tax profits in excess of £200m for the year as a whole. Coupled with the absence of a rights issue, this was enough to drive the shares 3 per cent higher. In its excitement, though, the market appears to bave overlooked

the limited room for dividend growth.

Retained earnings in GA's balance sheet have fallen to just £41m at the end of last year from a peak of £660m in 1989. Despite this year's more optimistic outlook, the company will scarcely manage more than a token increase in the dividend without dipping in to reserves again. General Accident has not launched a rights issue like Royal and Commercial Union, but nor has it cut its dividend like GRE. Its reluctance to break what has become a habit of overpayment will limit its ability to rebuild its reserves in the recovery. Not a happy thought for a company which is trading at a hefty premium to book.

Reed Elsevier

The administrators of Maxwell Communication Corporation's US businesses recently reported they were receiving bids for the diverse assets on a "Chinese menu approach". Reed Elsevier, though, is sticking to plain bolled rice by offering \$425m for Offi-cial Airline Guides alone. If Reed can consummate the deal at that price, it would represent something of a coup, The assets are essentially the same as those which Reed failed to secure in 1968 when Mr Robert Maxwell weighed in with a higher \$750m bid.

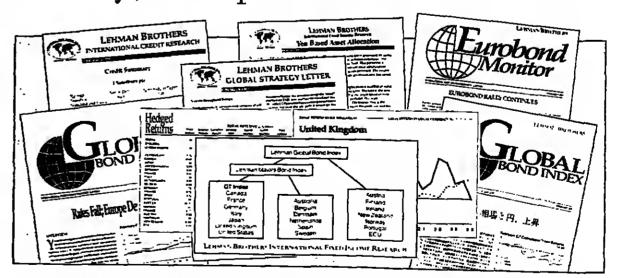
Although OAG bas suffered badly in

the torrid US airline market, it still made operating profits of \$11m on revenue of \$154m last year. With firm management and a recovering market. Reed should be able to push margins higher. The husiness would also complement Reed's existing interests in airline publishing. The deal, however, is far from done. Reed will now conduct its due diligence while the antitrust investigators scrutinise the deal. The letter of intent is non-binding and non-exclusive. The administrators may bope they can flush out a higher offer now firm numbers are on the table. They may still believe they can realise greater value by selling the assets as a package.

Reed can afford to walk away again

the bldding goes too high. Its simultaneous announcement that it had agreed to buy into France's biggest legal publisher suggests plenty of other routes for expansion

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Cable and Wireless expands in Asia

Cable and Wireless, the UK telecommunications group, is forming a \$3bn joint venture which could give it a prime role in the development of the tele-phone system in the Philippines. The venture is the latest in a succession of moves to establish itself as the leading international telecoms operator in the Asia Pacific region. Page 25

Gold fingers in the corner shop Chine's gold-purchasing agency, the People's Bank, is facing increasing challenges to its gold trade monopoly. The establishment of a flourishing gold market in China's northern Liaoning province near the Soviet border poses the most severe threat in years to the People's Bank of the gold trade. "Some stores trade gold bars, not just gold jewellery," said a People's Bank official. Page 26

Packer sells banking stake

Mr Kerry Packer, the Australian media entrepreneur, has sold an 8 per cent stake in Westpac Banking Corporation to Lend Lease Corporation. the financial services group. The deal leaves Westpac with two large financial institutions as domi-nant shareholders. Page 18

Better weather to float

The climate for UK flotations has rapidly moved from freezing to a near summer-like warmth as investor interest has revived. Recent issues have been comfortably over-subscribed and first day dealings have shown premiums. There is a string of companies lining up for market taking advantage of historically high share prices. Page 24

Sears, Roebuck announces sale

Sears, Roebuck, has sold its mortgage banking group to a Pittsburg-based bank holding company for \$328m in cash. The sale is the latest in a series of planned spin-offs designed to trim Sears' finan-cial businesses. Mr Edward Brennan, Seers chair-man, said: "The successful completion of this transaction is another important step in Sears' previously-announced repositioning which will con-tinue to enhance shareholder value. Page 21

Philippines frenzy

Manilla Composite Index 1600 1500 1993 . May

The Philippine stock merket appears to be taking a breather from a recordbreaking frenzy, However analysts expect the rise to resume after the market from an overbought posi-tion. The composite index closed yesterday at 1,642, down from a record high of 1,654 on May 5. Excess liquidity caused by a

auctioned by the Central Bank has kindled interest

20 ICI

in equities. Back Page

Market Statistics

Base leading rates Benchmark Govt bonds FT-A Indices
FT-A world indices
FT-Beed interest indices
FT fixed interest indices
FT fixed interest indices
FT-ACMA int bond svc
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London share service Liftle equity options London tradit, options Managed fund service Money markets New Int. bond issues World commodity prices World stock wikt indices UK dividends announced

Companies in this issue

Apple Compute Avon Rubber Barr & Stroud Carclo Engineering Contra-Cyclical Crean (James) Credit Lyonnels GE Capital

23, 18 23 31 24 25 Inchcape 20 tvory & Sime ISIS 25 J. Sainsbury Lee (Arthur) McLaughlin & Harvey 11 McLaughlin & Harvey
25 Micro Focus
24 Noranda
24 Philip Monts
24 Pillangton
18 Prudentiel Secs
25 Royal Scottish Assur
18 Royal Trustco
24 Sears, Roebuck Shell Transport Sprecher and Schuh Swan Hunter The Equitable
The Umited 24 Tiphook 31 Unigate 24 United News Glesgow Income Trust Glesco Holdings Gold Crown Foods 23 Vaux 23 W.H. Smith

Chief price changes yesterday

1199 1053 1075 285,2 840 413 Ave CGP Chargeurs CCF 11.7 Fonc Lygnosies LOKAO (Len) + 61 + 65 + 100 + 58 + 27 780 New York prices at 12,30pm.

Allero Focus

Wednesday May 12 1993

German institutions pay DM985m to Italian private-sector insurer Fondiaria offloads 21% stake in AMB

By Haig Simonian in Milan and David Waller in Frankfurt

FONDIARIA, the italian insurance group controlled jointly by Ferruzzi and the Gaic holding company, yesterday sold its 21 per cent stake in Aachener und Münchener Beteiligungs (AMB) to a group of German institutions for DM985m (\$616m).

The deal concludes a long-running battle

of wills between the formerly-allied Italian and German insurers, and provides a much-needed cash injection to Fondiaria, Italy's third-biggest private-sector insurer.

The buyers are Deutsche Bank (10 per cent), Allianz (5 per cent) and Dresdner Bank and Münchener Rückversicherungs,

which are taking about 3 per cent each.

The deal follows months of secret negoti-

ations over the stake, the existence of which had threatened to disrupt co-opera-tion between AMB and Assurances Générales de France (AGF), the French stateowned insurer which owns just over 25 per cent in the German insurance company.

Fondiaria acquired the stake during 1991-1992 when AMB's management was keen to form a three-way European alliance including Royal Insurance of the UK. But these plans failed to come to fruition, partially because of AGF's determination to build up its AMB holding in the face of initial opposition from the German company's management,

Hostilities between AMB and AGF ended last summer and Fondiaria tried, unsuccessfully, to use its holding to block shareholder approval of the co-operation agreement between the French and German

The agreement involved the sale of AMB's holding in BfG Bank, Germany's sixth largest bank, to Crédit Lyonnais in a transaction valuing BfG at DM2.1bm. The deal is a much-needed lift to Fon-

diaria, which has suffered falling profits from difficulties in the Italian market and growing debts from foreign ambitions. Last year, Ferruzzi, which is facing a heavy debt burden, warned it intended to

Gencor: before unbundling

affairs. The changes culminated in the departure earlier this year of Mr Alfonso Scarpa, Fondiaria'e managing director and architect of foreign expansion plans.

Although Ferrnzzi has emphasised its determination not to sell Fondiaria, a disposal is still widely expected by analysts view of the parent company's severe debt problems

A Fondiaria official said the deal was part of the rationalisation process of Fondiaria'e activities". He gave no indication was to whether the divestment might be followed by other disposals. Among possible scenarios are the dispos-

als of the group's Milano and La Previ-

take a closer involvement in Fondiaria's Billiton fits drive to establish substantial mining business outside South Africa

Gencor brings dream princess out of her Shell

By Kenneth Gooding, Mining Correspondent

ENCOR has for years been searching for assets that would provide it with the core of a substantial husiness ootside South Africa. "We have kissed a lot of frogs but not one has turned into a princess," is the way Mr Derek Keys, the former chairman, summed up this apparently hopeless quest. But now the search is over.

Gencor believes Billiton, a mining and metals company with a 114-year history but which has been hursed within the Royal Dutch Shell oil group since 1970, has all necessary qualifications. Ironically, although virtually every other oil company has

baled out of mainly disastrous forays into mining and metals, Shell seemed determined to per-severe with Billiton even though low metal prices and various write-downs and provisions pushed it into a \$75m net loss last year against a \$12m profit in

However, Gencor's unsolicited offer, which analysis suggest was probably more than the \$1.8bn book value of the Billiton assets was too attractive for Shell not to give it serious consideration. if everything went smoothly,

Gencor eventually would have interests in two mining and metals husinesses The one in South Africa would retain most of the group's assets' there - including those produc-

ing gold, platinum, coal, manga-

nese, chrome, ferro-alloys, stain-

less steel, aluminium, and gran-

Billiton would be used to create a second, publicly-quoted interna-tional group mining gold, nickel and zinc in six countries, with exploration activities all over the world, a global metals marketing and trading network, and joint ventures in alumina refining in Brazil, Australia and Surinam and aluminium smelting operations in Brazil. To this Gencor would add its

existing operations outside South Africa - 25 per cent of Consoli-dated Rutile in Australia and nearly 100 per cent of Sao Bento in Brazil and, probably, its halfshare of Richards Bay Minerals in South Africa. This would be a medium-sized

mining and metals group in world terms and without a comparable rival, although it would have some similarity to Minorco. owned hy Anglo American of South Africa.

Gencor probably chose Billiton as a "princess" because of the alumina and aluminium interests which account for about 65 per cent of its busines Gencor has great faith in alu-

minium and is backing a \$25n project for Alusaf to build a 466,000-tonne aluminium smelter. the western world's biggest ever. But there is much to be done. Shell said talks would last sev-

eral months. Also, some of the jucier assets Gencor seeks are in joint ventures where Billiton's partners have pre-emptive rights to any sale and it is very unlikely

Gencor R20.09bn Genmin Malhold

Break-up signals overhaul of corporate South Africa

By Philip Gawith In Johannaeburg

YESTERDAY'S announcement by Gencor, South Africa's second largest mining house, that it plans to unbundle came as no surprise, but this does not diminish the significance of an event whose political and business ramifications are likely to be wide-

It almost certainly heralds the beginning of a gradual, but far-reaching, overhaul of corporate South Africa. Over the next 10 years and beyond, groups such as Anglo American-De Beers, South African Brewerles, Remhrandt, Anglovaal, Old Mutual and Saniam, which dominate South African corporate life, are likely to be significantly restruc-

Two factors will determine the

pace and extent of this restructuring the vigour with which a future government might pursue anti-trust policies, and the extent to which corporate South Africa voluntarily restructures, for self-preservation or economic self-interest.

The African National Congress,

likely to be the largest partner in any future government, Is committed to introduce anti-monopoly, anti-trust and mergers policies weaken the influence of the country's largest groups, and promote private sector efficiency. There is also considerable sup-

port for unbundling in the investment community where many hold the view that the economy has become too concentrated, stifling initiative.

With the exception of Gencor. however, corporate South Africa has shown little enthusiasm for unhundling. Most captains of industry are not convinced unbundling has economic merit. Anglo American has defended its size with vigour, sophistication and some success. Ultimately, bowever, these arguments, couched mostly in economic terms, are unlikely to sway the ANC, which objects to the degree of corporate influence exercised

by a few whites. Yesterday's announcement Is only the first salvo in a long debate. And practical barriers to unbundling have to be address most ohviously, who, other than the large groups, will huy

the assets freed.

ing the status quo.

Gencor's announcement will force other large groups to take a harder look at unbundling, if only because the onus of proof has shifted towards those favour-

ICI cuts size of Zeneca rights

By Maggie Urry, Paul Abraha and Norme Cohen in London

IMPERIAL Chemical Industries has cut the size of the rights issue for Zeneca, the bioscience husiness being demerged from the chemicals group. However, the price is expected to be towards the top end of forecasts

at about 590p to 600p.

A meeting of the board and underwriters to confirm the terms will be held today. They will be announced at 7.30am. It is expected that the issue will have been priced to raise slightly less than the £1.3hn (\$2bn) planned, as the London stock market is concerned at the level of cash calls on it. The government's BT 3 sale, likely to raise over £5bn, is due in July.

Rather than the expected 1-for-3 issue, the terms will probably be set at 3-for-10. That could cut the amount raised to around £1.25bn after expenses.

The main difficulty in pricing

the issue has been that the demerged shares of new ICI and Zeneca have yet to start trading. giving no base to value the rights shares.

There were still doubts that the issue would be warmly received. "At 600p this looks like a second division player being sold at a first division rating," a pharmacenticals analyst said.

Institutions said they would be unwilling to sub-underwrite the issue at more than 610p. They wanted the price set to give a yield above the market average yield above the market average to offset Zeneca's perceived low growth prospects. The company has already said it will pay a 27.5p net dividend this year. Grey market trading in the

demerged and the rights shares will start at 2.30pm today, when the sub-underwriting should have been completed. It also coincides with the start of husiness in New York.
Official dealings in the new

shares are doe to start on June 1, so long as ICl sbareholders approve the demerger at a special meeting on May 28.

A plan to "recycle" rights shares, through an international

syndicate of brokers, is expect to meet only modest demand. US investors, one of the main target andiences for Zeneca's roadshows, are thought to be more interested in the new-ICI business. At present, US investors favour cyclical rather than

drugs stocks. The latter bave been hit by uncertainty over US health care reforms. Lex. Page 16

Cost cutting helps Ericsson swing back into the black

in Stockholm

STRONG DEMAND and cost cutting helped Ericsson, the Swedish telecommunications group, swing back into profit in

the first quarter of this year.

The group, which has announced a series of large new orders recently, said pre-tax profit was SKr428m (\$56m), compared with a SKr363m loss in the first three months of 1992. However, the results fell short of stock market expectations and

to SKr291 The group reaffirmed its expectation of an improved result for the whole of this year. In 1992 the

the company's B shares slid SKr9 group recorded a profit of cent to SKr17.5bn while sales belped by the weaker Swedish krona - increased 38 per cent to

Ericsson's orders have risen for six successive quarters - most impressively in the radio communications division, which houses Its mobile phone operations. Order intake here increased by 58 per cent in the quarter.

Radio communications saw sales rise to SKr4.76bn from SKr2.73bn, while public communications lifted sales to SKr5.03bn from SKr4.16bn. A major growth area for the company has been Asia, where sales rose to SKr2.15bn from SKr935m.

China is now the company's fifth largest market, accounting for 7 per cent of sales, compared with 1 per cent last year.

executive, said the group's order backlog of SKr45bn at the end of the first quarter was its highest ever, and SKr7bn more than at the beginning of the year. He said the krona's deprecia

tion had so far had little impact on the company's income. "That positive effect will be seen first during the second half of 1993." Mr Ramqvist linked the compa ny's success to its development of

products: "If we had not conducted applied research and development, Ericsson would have been eliminated hy the tough international competition. This is particularly the case in the global recession, which we have not seen the end of yet."
Income per share was SKr1.25

in the quarter, compared with a SKr2.44 loss in the same 1992

Mr Lars Ramqvist, chief First-quarter orders rose 34 per Reed Elsevier eyes purchases

By Raymond Snoddy in London

REED ELSEVIER, the international publishing and information group, has signed a letter of

intent to purchase Official Air-

line Guides in a deal worth The move came on the same day as the company, owned jointly by Reed International and Elsevier, reached an agreement to acquire at least a controlling interest in Editions Techniques, the French legal publishers. No price was disclosed but it is believed tha agreement would value Editions

Techniques at £75m (\$115m). These are the first two planned acquisitions to be announced since Reed International and Elsevier merged at the beginning of this year. One of the reasons behind the merger was to increase the group's ability for international acquisitions.

However, the OAG letter of intent, signed with Price Waterhouse, the joint administrators of Maxwell Communication Corporation, is non-exclusive and is being seen as a way to find out whether Reed Elsevier, which already owns ABC airlines guides, would be qualified to hid under anti-trust legislation.

"There's a long way to go yet. This is just getting into the paddock," one of those close to the negotiations said yesterday. Mr Alan Jamieson of Price Waterhouse said yesterday: "If a better bid comes forward we are free to accept that bid. If we have no better bid we are happy

to move to contract at that The assets on offer, which include travel magazines as well

as an airline information service. are similar to those bought by Mr Robert Maxwell from Dun & Bradstreet for \$750m in 1988. Mr Guy Lamming, media ana

lyst at stockbrokers James Capel said last night that both deals looked good for Reed Elsevier. Editions Techniques is the largest general legal publisher in

France with a workforce of 500 people and sales last year of around 248m. Its best known poblication is the series Juris Classeurs which covers most aspects of law and includes 80 titles in 400 volumes. The familyowned company also owns the medical publication Encyclopedie Medico Chirurgicale.

The size of Reed Elsevier's ultimate stake in the company will depend on further negotiations with members of the family. Lex, Page 16

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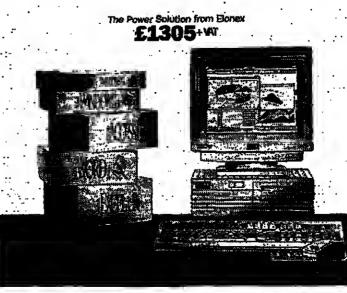
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INTERNATIONAL COMPANIES AND FINANCE

EniChem sinks deeper into Packer sells Poor term at French bank red with L1,560bn losses

Haig Simonian in Milan

ENICHEM, the loss-making Italian chemicals group controlled by the state-owned Eni eoergy and chemicals concern. moved deeper into financial difficulties with a L1.560bn

(\$1.02bn) loss last year. The result, more than double the L742bn lost in 1991, reflected the recession, which has cut demand for primary petrochemical products, and continuing severe price competition. Sales, adjusted for disoosals, fell by 8.2 per cent to L11,155bn

EniChem said prices for primary petrochemicals products had fallen between 10 per cent

By Christopher Brown-Humes

PROCORDIA, the Swedish

pbarmaceutical and food

group, yesterday hlamed lower Swedish tobacco sales, losses

from botels and one-off lease

settlement costs for a 20 per

cent fall in first-quarter profits.

Profits after financial items

fell to SKr893m from SKr1.12bn

in the same 1991 period, disap-

pointing stock market expecta-

tions. The B shares fell Skr4 to

Sales were virtually static at

SKr9.55bn (\$1.3bn), although

on a pro-forma basis they rose

10 per cent. Income from ongo-

SKr963m from SKr1.01bn.

in Stockholm

close at SKr169.

result of weak demand and overcapacity. The Italian mar-ket bad been hit particularly the vehicle, building and textile industries.

EniChem's losses, which included L300bn in provisions for environmental protection measures, came in spite of indications last year that the group might be able to contain losses to within L1,000bn due to cost-savings and a big cash injection from the Eni parent

orated steadily during the Operating losses deepened by

the first quarter was a signifi-

cant reason for the downturn -

the result of hoarding prior to

an increase in tobacco tax at

It saw an increase in one-off

costs to SKr83m from SKr3m,

largely because of an early set-

tlement of a lease. It incurred a

SKr150m deficit from its share

of losses in the Sara Travel and

Hotel group, in which it holds

On the plus side, the group benefited from currency gains totalling SKr180m. The weaker

Swedish currency bad a partic-

ularly positive impact on Kabi

Pharmacia, which increased

the end of last year.

46.4 per cent.

finances appear to have deteri-

lower raw material prices and attempts to contain fixed

Meanwhile, interest costs, adjusted for disposals, rose by a further L131bn to L893bn in 1992. Total group debt rose to L7,391bn from L7,004bn, in spite of the cash injection.

EniChem has heen strug gling to restructure to reduce costs. The workforce was cut hy over 4,000 emplnyees last year, contributing to a L80bn saving on the wage bill. In July, formal approval is due for a plan to merge 10

wholly-owned subsidiaries with the EniChem parent company, which is forecast to produce annual savings of about

Procordia falls 20% in first term SKr3.95bn from SKr3.40bn and The group said a 20 per cent fall in Swedish tobacco sales in

> although prices were generally under heavy pressure. Last week, Kabi finalised a deal to buy the Italian pharmaceutical group Erbamont in a deal worth up to \$1.3bn.

to SKr779m from SKr746m.

Sales growth was particularly

marked in the UK and Spain

Procordia's second-biggest unit, United Brands, lifed sales by 47 per cent to SKr1.96bn from SKr1.33bn, but operating income slumped 43 per cent to SKr118m from SKr207m. The fall came in spite of the inclusion of Swedish Match, which the group acquired last

sales by 16 per cent to in income from tobacco. Inchcape buys 15% of Gestetner

By Andrew Bolger in London

INCHCAPE, the international services and marketing group, is to buy a 15 per cent cent share of Gestetner Holdings, the office and photographic equipment distributor, plus an option to raise its stake to 25

inchcape is buying the initial stake for £37.9m (\$59.2m) from Chiltern Capital, an Australian

company which took control of Gestetner in 1986. The Australians bave sold a large stake in Gestetner to Ricoh, the Japanese office equipment manufacturer, which owns 29.9 per

cent of the group. Gestetner is the world's largest independent distributor of office equipment, using its own brand names of Gestetner, Nashuatec and Rex Rotary. Much of it is produced by Japa-

nese manufacturers. It derives substantial revenue from service and supplies. Mr Basil Sellers. Gestetner's

Australian chairman and chief executive and a large shareholder in Chiltern, will give up executive responsibilities immediately. He will continue as chairman until an independent successor is appointed.

8% stake in Westpac **Banking**

MR KERRY Packer, the Australian media entrepreneur, has sold an 8 per cent stake in Westpac Banking Corporation to Lend Lease Corporation, the financial services

The shares changed hands at A\$3.50 each for a total transaction of A\$490m (US\$352.5m). Mr Packer said yesterday his company, Consolidated Press Holdings, would make an A\$100m profit on the disposal. The purchase increases the

Lend Lease group's stake in Westpac to almost 10 per cent. The group, which is likely to go up to 12 per cent by buying Consolidated Press's remaining 2 per cent, has been granted federal government approval to eventually take its shareholding in Westpac to 15 lifted lifted operating income per cent.

The deal leaves Westpac with two large financial institutions as dominant shareholders. AMP Society controls 1S per cent of the bank.

Lend Lease has agreed to pay Consolidated Press half of any profit if It sold Westpac shares over the next 12 months, up to a maximum of 50 cents a sbare.

Mr Packer accumulated his 10 per cent Westpac stake late last year, prompting an invitation from the bank to take a seat on the board. However, Mr Packer resigned from the bnard in January, just one week after joining, following a disagreement over the bank's recovery programme.

Mr Packer said his company had been approached by Lend Lease late last week. He said Lend Lease, which incloded a big Insurance business through MLC Life and Australian Eagle, would bring added stability to Westpac's sbare-

bolder base, After a failed A\$1.2bn rights International of the US. As a result of the cash pro-ceeds from the disposal, the issue last May and a A\$1.56bn loss for the year to September company proposes increased dividends of SFr50 per regis-1992. Westpac's share price was trading at AS2.40 last tered sbare and SFr250 per November against a pre-rights bearer share. Dividends in Issue peak of A\$4.63 ln Jannfuture will be similar to 1990's SFr16 and SFr80 respectively.

However, Credit Lyonnais's

By Alice Rewsthorn in Paris

CREDIT Lyonnais, the troubled French hanking groop which is a candidate for privatisation, experienced problems in France during the first quarter of this year, according to Mr Jean Yves Haberer, chairman, although its international operations fared well.

Mr Habérer, who has been criticised for his expansion and lending strategy, said the group, which fell into the red last year, had a bad first quarter in its domestic market due to the economic recession and

rise in husiness failures.

commercial banking interests outside France produced a good performance, according to the chairman, with BfG, the German bank in which it recently acquired a controlling stake, performing satisfacto-Crédit Lyonnais, one of

France's largest commercial banks, has been in trouble for some time, mainly because of its exposure to a series of corporate collapses.

Last year, these problems

were aggravated by the economic squeeze in France which left Crédit Lyonnais very vul-

nerable to property and small companies, two of the weakest areas of the economy. It swung from net profits of FFr3.2bn in 1991 to a net loss (the first since 1974 and the third in its bistory) of FFr1.8bn (\$333m). on net banking income of FFr48.9bn.

The announcement of Crédit Lyonnais's first-quartar problems in France comes as the new centre-right government is finalising plans to privatise a number of state controlled companies. Crédit Lyonnais is believed to be a candidate. although analysts suspect that its problems may force the gov-



Jean Yves Habérer: problems in France during first quarter

ernment to delay the sale until after that of Banque Nationale

Fila confirms NYSE listing plan

The move, which follows a similar decision last month by Gemina to list shares in the Natuzzi furniture group, reflects growing disenchantment by Italian companies with the domestic stock market and their readiness to make initial public offerings

It is believed similar plans

ton Sportsystem, the fast-growing sports goods group being assembled by the acquisition of famous brands by the Benetton family. Bankers believe a listing for the group, which had sales of \$606m in 1992, could come in the second half of next

Fila, one of Italy's bestknown sports brands, bas branched out from clothing into footwear. The development has been accompanied by marked internationalisation of its business, with the US accounting for 58 per cent of

Gemina will place 37.5m Fila shares, held by its Gemina

Investments subsidiary, in New York in a deal led by Salomon Brothers and Goldman

The shares represent 30 per cent of Fila's capital. Gemina Investments will retain 6 per cent, while the Gemina parent company controls the remainder. The offering will be made via 7.5m American Depositary Shares, each comprising five Fila shares.

Separately, Gemina Investments is placing 10 per cent of its 15 per cent stake in Natuzzi as part of an initial public offering in the US. The deal is part of a placing of 30 per cent of Natuzzi's stock in the US.

Treuhand concludes shipyard sale

By Judy Dempsey in Berlin

THE Treuhand, the agency responsible for the privatisation of the eastern German economy, yesterday concluded the sale of the big Neptun shipyard located at the northern port of Rostock.

The yard, a big lossmaker, was sold partly to Hanse Holding, which is part of the Bremen-based Bremer Vulkan Verbund, and partly through a management buy-out. The Treuhand will take nver the debts, which the agency yester-

day would not disclose. Although Treuhand officials declined to reveal the selling price, it said Bremer Vulkan was committed to investing DM350m (\$219m) and guaranteeing 1,320 jobs. At present, about 1,450 people are employed at the shipyard, which, before 1989, used to employ more than 7,000.

The security of the yard, at least in the short term, might reassure the workforce, which as members of IG Metall, Germany's powerful engineering union, bave been on strike since last week in support of

higher wage claims. Treuhand officials indicated that Bremer Vulkan would not be using the yards specifically for shipbuilding, particularly since there was overcapacity in Germany, However, the yard could provide base for repairs

By Halg Simonian

FILA, the Italian sports shoes and clothing maker owned by the Gemina holding company, bas confirmed plans to quote 30 per cent of its shares on the New York Stock Exchange.

are being considered by Benet-

SPRECHER and Schuh, the

Swiss electrical engineering

group, reported a loss of SFr9m

(\$6m) for 1992 compared with a

The loss was mainly due to

the weakness of the group's

low-voltage electromechanical

controls business, which has

since heen sold to Rockwell

loss of SFr9.5m in 1991.

Sakura merger with US Sprecher holds loss to SFr9m clearer gains approval By lan Rodger in Zurich

By Laurie Morse in Chicago

SAKURA, the Japanese bank, and Delisher Investment, the Chicago futures and options clearing firm, have received US Federal Reserve approval to

Sakura, which was formed in 1990 with the merger between Mitsui Bank and the Taiyo Kobe Bank, offered to become Dellsher's majority shareholder in 1991, but the deal was delayed by US regulatory

reviews. The new firm, Sakura Dellsber, will be a clearing member of the CME and the

Chicago Board of Trade. Sakura's consolidated assets of \$449bn will give strong backing to Delisher in the derivatives business, which demands large amounts of capital.

Delisher, owned by Mr Leo Melamed, one of the founding fathers of Chicago futures, is a small firm with an estimated \$4m to \$5m in assets. Mr Kenichi Suematsu, presi-

dent of Sakura, said: "The com-petence of Delisber, coupled with the unique qualifications of Mr Melamed, will afford our clients with outstanding access to global financial futures and

This announcement appears as a matter of record only

May 1993



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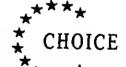
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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The shareholders of PAN-HOLDING S.A. are invited to attend the ANNUAL GENERAL MEETING which will be held at the Company'e registered office at 10. Boulevard

Roosevelt, Luxembourg, at 3.00 pm on June 1, 1993, with the following

To accept the Directors' and the Statutory Auditor's reports and to approve the finencial stetements and accounts for the year ended December 31, 1992.

To approve the appropriation of the results, to declare a dividend and to fix the date of payment.

To grant discharge to the Directors and to the Statutory Auditor for the proper performance of their duties.

To elect and re-elect Oirectors.

To fix the Directors' emoluments for the year 1992. To re-elect the Statulory Auditor.

7. To fix the Statutory Auditor's emoluments for the year 1992. The bearer share certificates may be deposited with a bank or financial Inequality of unanced institution acceptable to the Company. The corresponding deposit certificates should be forwarded to the Company, P.O.B. 408, L-2014 Luxembourg, so as to reach them not later than May 27,

The owners of registered shares need not deposit their share

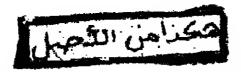
THE BOARD OF DIRECTORS

As of April 30, 1993, the unconsolidated net asset value was USO 308,488,066,37, i.e. USD 560.89 per share of USD 200 par value. The consolidated net asset value per share amounted as of April 30, 1993 to USD 582.97.



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Market Myths and Duff Forecasts for 1993 The US dollar will move higher; preclous metals have been demonetized. Japanese equites are not in a new bull Irena. You did NOT read that in FullerMoney - the teanoctable investment tetter. Call Jane Farquiharson for a sample issue (once only). Tel: Landon 71 - 439 4961 (071 in UK) or Fax: 71 - 439 4966



NEC link with US chip group

By Michiyo Nekamoto in Tokyo

TWO of Japan's largest semiconductor manufacturers are teaming up with a US company to develop the next generation microprocessor to serve as the heart of the most powerful desktop computers. NEC and Toshiba – Japan's

largest semiconductor manufacturers, and keen competitors - are joining forces with MIPS Technologies, a designer and supplier of reduced instruction set computing (Risc) microprocessor technology, to develop an advanced microprocessor based on MIPS' technology.

The alliance highlights a growing tendency in the semiconductor industry to share across national borders the spiralling costs and huge resources that are needed to develop advanced semiconduc-

The three companies will jointly fund research and development, and collaborate on process development. Other design experts also are expected to take part the develop-

MIPS bopes the new microprocessors will go on sale in

The US group will be responsible for the architecture of the new microprocessors, while NEC and Toshiha will be responsible for other aspects of development and implementation, and for volume produc-

The move also reflects NEC's and Toshiba's recognition of the importance of open architectures in future semiconductor technology.

The three plan to spend \$150m during the programme, hut NEC estimates that its investment over the next few vears will amount to about

Y10bn (\$90m). The alliance will compete directly with five other groups that have rallied around other Risc chips, with each hoping to become the world standard. They are IBM and Motorola.

which have joined forces around the PowerBook; Digital Equipment and supporters of its Alpha chip; Sun Microsystems and its backers; Hewlett-Packard and Hitachi; and

INTERNATIONAL COMPANIES AND FINANCE

Japan's banks have accumulated expertise from European markets, says Emiko Terazono

LTHOUGH tough times at home are forcing Japanese financial institutions to curb overseas expansion, some banks admit they still have much to learn

from western markets. Overseas securities anbsidiaries are of increasing importance for Japanese banks, which are now able to set up domestic securities operations after the easing of barriers between the banking and securities industries last month.

The Industrial Bank of Japan, one of the four banks being allowed to set up securi-ties arms, says experience at 1BJ International, its UK securities subsidiary, will give it an advantage in developing domestic operations. IBJI, which has been in Lon-

don for 18 years, says the European capital markets have been a nurturing ground for the Japanese banks enabling them to accumulate expertise from the European capital mar-

Japanese banks, which were previously banned from the securities business by article 65 of the Securities and Exchange Law, set up overseas securities operations to gain exposure to the securities busi-

The country's long-term credit banks and Norinchukin, the central agricultural bank, will be the first to obtain

IBJ is expected to set up a securities operation with Y30bn in capital and 130 staff

access to the securities business. The banks' affiliates, however, will be kept from the lucrative stock market, and will only be able to underwrite eorporate and aquity-linked honds, and deal in straight

in spite of the disappointment of the banks at the tighter-than-expected restrictions by the ministry of finance, Japanese corporations hope that the banks will bring in more innovation and help develop

Bank forces Isetan chief to quit

Isetan, in common with

other Japanese department

stores, is suffering from the

decline in consumer spending

in Japan just as it is paying for

ambitious expansion in the

become embroiled in contro-

versy over its ownership. Mr

Kosuge's departure is thought

to be the culmination of a long

power struggle with Mitsubishi

About 29 per cent of Isetan's

stock is owned by Shuwa, a financially-troubled real estate

company. Ito Yokado, a leading

bank over Isetan's ownership.

However, Isetan has also

the country's fledgling capital the fixed-price re-offering securities business to bring in markets.

IBJ is expected to set up a securitles operation with Y30bn (\$270m) in capital and 130 staff. Mr Toshiki Tobe, managing director at IBJI, says more than 10 people with experience at the London securities arm will be transferred to the new Japanese securities affiliate. He hopes the new domestic subsidiaries will change the closed and non-competitive nature of the domestic bond market, currently dominated by the "Big Four" securities

"We want to bring in proper syndication methods into the Japanese market," says Mr Tobe. In the past, underwriting responsibilities were usually divided between the big four, where relationships hetween the issuer played a larger part than competitive performance. The Tokyo arm of Morgan Stanley managed to become the first foreign leading under-

writer for Nippon Telegraph

bouses - Nomura, Daiwa,

Nikko and Yamaichi,

method.

Japanese companies also bope that the newcomers will belp the development of a liquid secondary market as in the Eurobond markets. Japanese institutional investors still see straight bonds as investments to be kept till maturity, and

Corporations hope the banks will help develop the country's fledgling capital markets

while US houses and leading domestic brokerages have started market making of major issues, the secondary market remains almost nonexistent due to lack of interest among investors.

Companies also hope the entrance of the banks' subsid-iaries will help the development of a settlement system for the corporate bond market. Meanwhile, IBJI is keen to expand its operations in Lon-

don, and expects the domestic

more European business opportunities, such as sales of Japanese bonds to European inves tors. Unlike most Japanese securities houses which have resorted to Japanese investors, IBJI is cultivating overseas investors, especially in Europe. The company wants to

improve its credit information services on Japanese compa-nies, especially those which issue government guaranteed bonds. This will be a core part of the business.

Unlike the Japanese securities companies, which are eutting overseas overheads, Mr Tobe says IBJI will continue to expand in the City of London. The securities house aims to increase its current operation of 300 to 500 in the next four years by increasing sales, trading and support staff.

Mr Tobe also dismisses suggestions that the recent bombs in the City of London will prompt an exodus of Japanese financial institutions. "London is too important, especially as a learning ground," he says.

Toshiba and Home advantage from overseas experience Hong Kong to block 'back-door' exchange listings

By Simon Holberton in Hong Kong

HONG KONG'S regulatory authorities last night moved to stem the rush of mainland Chinese companies seeking a stock exchange listing hy blocking "back-door listings" on Hong Kong's stock market. The Securities and Futures

Commission (SPC) and the Hong Kong Stock Exchange issued a joint statement warning financial advisers and companies that future deals would be scrutinised closely and stiff penalties applied to those who hreached listing and takeover

Since October, large mainland Chinese state enterprises have acquired control of eight Hong Kong companies. In two of the cases, arms of the People's Liberation Army have been involved in the transac-

A "back-door listing" is a convenient way of avoiding the HKSE's requirements for new listings. For mainland compa-nies it is also a way of avoiding Beijing's approval system for foreign listings.

Typically, a mainland company acquires a small, third-line, stock in Hong Kong and proceeds to sell it mainland assets financed by placements

and rights issues. This practice has raised concerns in Beijing with the China Securities Regulation Commis-

sion, China's fledgling corpo-

rate watchdog, which has responsibility for the development of securities markets on

the mainland China. The SFC said it would take "the strongest action open to It" under the colony's takeover code if it found that a controlling shareholder selling to another party had received a benefit unavailable to minority shareholders.

This action would include forcing the buyer to make available to all shareholders the same level of compensa-tion, and withdrawing the licence of merchant banks and other financial intermediaries who advised on the deal.

The stock exchange said asset injections into a newlyacquired company might result in the company being treated as a new applicant for listing, or result in its listing status being reviewed more generally. It also said it might treat transactions between a listed

company and former controlling sharebolders as connected transactions. In that event a vote of minority shareholders would be required for a transaction to take place.

• The SFC could limit the number of shares investors can apply for in new issues in a bid curb massive oversubscriptions, Reuter adds. We are studying the situation ... and that's one possibility," a spokesman said. The commission's findings could be

Taiwan may join BMW Rolls-Royce in aero-engine venture McDonnell Douglas's civil aircraft busi-

supermarket group, last year attempted to buy into Isetan

through the purchase of the

Sbuwa stake. Sucb a deal

would have broken the tradi-

tional divide between depart-

ment stores and supermarkets

in Japan. However, the sale fell

through, thwarting plans to

strengthen Isetan's balance

The replacement of Mr

Kosuge with Mr Kazumasa Koshiba is likely to clear the

way for Mitsubishi bank to

lead a consortium to finance

the purchase by Isetan of the

U.S. \$200,000,000

Indian Oil

Corporation Limited

Guaranteed Floating Rate Notes Due 1994

For the 50 month interest bened from 12th May 1993 to 12th November 1993 the laces will carry an interest rate of 5% p.a. and the Coupon Amount per U.S \$10,000 will be U.S \$255.56.

Credit Subse First Beston Limited

By Charles Leadbeater

by a leading bank.

Isetan's main bank.

THE PRESIDENT of Isetan,

Japan's sixth-largest depart-

ment store, yesterday became

the latest in a growing list of

senior executives who have

been forced out of their posts

Mr Kuniyasn Kosuge, Ise-

tan's president for nine years,

is to become the group's honor-

ary chairman. The reshuffle is

thought to reflect Mitsublshi

Bank's disenchantment with

his performance. Mitsubishi is

BMW Rolls-Royce, the Anglo-German aero-engine joint venture, has been talking to the Taiwanese government about possible involvement by the Asian country in future developments of its BR710 series of medium-thrust

Tatpei said yesterday that Sir Ralph Robins, chairman of Rolls-Royce, met Mr Lien Chan, prime minister, on Mon-

day to discuss the possibility of Taiwanese participation in the project.

Taiwanese aerospace officials said discussions were still in a very early stage, with the form and size of any investment unclear.

in London, Rolls-Royce said Sir Ralph was in Taipel on behalf of BMW Rolls-Royce. The discussions were one of a number that the joint venture company is having with companies about future developments of the engine.

A venture with BMW Rolls-Royce could represent the second significant ness fell through last year. step in Taiwan's drive to develop its Rolls-Royce, announced in May 1990, is

fledgling aerospace industry. In January, Taiwan Aerospace, which is 29 per cent owned by the government, agreed to form a venture with British Aerospace to make regional passenger jets to be assembled in the UK

A proposal for Taiwan Aerospace to invest \$2bn for a 49 per cent stake in The venture is developing the BR710

family of engines - designed for busi-ness and regional jets - at a plant outside Berlin. Since September it has won orders from Gulfstream of the US and the Canadian Bombardier group

The joint venture between BMW and

a big step towards strengthening the

European aero-engine industry.

Notice of Exchange Offer

Republic of Italy

Issue of up to US \$5,650,000,000 5%% Notes due 1998 (the "1998 Notes") of which

US \$500,000,000 is proposed to be issued as an Initial tranche

and up to US \$5,150,000,000 pursuant to an Exchange Offer by the Republic of Italy to the holders of the following issues made by it:

US \$1,500,000,000 8½ per cent. Notes due 1994 US \$1,000,000,000 9 per cent. Notes due 1993 US \$1,000.000,000 91/2 per cent. Notes due 1995

US \$ 150,000,000 91 per cent. Bonds due 1996 US \$1.500,000,000 9% per cent. Notes que 199 Ithe "Existing A Nores")

Issue of up to

US \$4,000,000,000 6/1% Notes due 2003 (the "2003 Notes")

pursuant to an Exchange Offer by the Republic of Italy to the holders of the following issues made by it: US \$2,000.000.000 8% per cent. Notes due 2001 US \$2,000.000,000 9% per cent. Notes dne 1999

(the "Existing B Notes") The Republic of Italy Ithe "Issuer") proposes to issue on or about 9th June. 1993 (the "Closing Date") the 1998 Notes and the 2003 Notes in connection with the offer (the "Exchange Offer") by the Issuer to exchange Existing A Notes for 1998 Notes and Existing B Notes for 2003 Notes. The Existing A Notes and the Existing B Notes are together referred to as the "Existing Notes", and the 1998 Notes and the 2003 Notes are together referred to as the "New Notes". Morgan Stanley International ("MSI") has been appointed exchange co-ordinator I the "Exchange Co-ordinator" in connection with the Existence Office. n connection with the Exchange Offer.

MSI proposes, on behalf of the Issuer. to arrange for an initial tracehe of the 1998 Notes to be subscribed and paid for by a syndicate of managers at an issue price to be determined by MSI. In addition, after consultation with an on behalf of the Issuer. MSI may, prior to the Closing Date, arrange for a separate tranche of the 2003 Notes to be subscribed and paid for by a syndicate of managers at an Issue price to be determined by MSI. tor a separate tranche of the 2000 Notes to be subscribed and paid for by a syndicate of managers at ao issue price to be determined by MSI. The Exchange Offer may be accepted by delivery of a duly completed Form of Acceptance to the Exchange Agent on any Business Day during the period (the Exchange Period") from and including 9.00 a.m. (London time) on 12th May, 1993 to and including 5.00 p.m. (London time) on 26th May, 1993, subject to extension as agreed between the Issuer and the Exchange Co-ordinator at their discretion. Forms of Acceptance received after that time shall be void unless the Exchange Agent determines in its sole discretion to treat such Form of Acceptance as valid. Existing Notes in respect of which the Exchange Offer is accepted are required to be delivered through Cedel or Eutoclear on or prior to the tast day of the Exchange Period.

The Exchange Offer is made on the following basis: An exchange of each Existing A Note for an equal principal amount of 1998 Notes plus the televant Cash Adjustment Amount and the relevant Accrued Interest Amount.

An exchange of each Existing B Note for an equal principal amount of 2003 Notes plus the relevant Cash Adjustment Amount and the relevant Accrued Interest Amount.

The Cash Adjustment Amount which a holder of Existing Notes will be entitled to receive upon exchange of Existing Notes for an equal principal amount of New Notes will be determined at or about 9.00 a.m. (London time) on each Business Day during the Exchange Period by the Exchange Co-ordinator. Cash Adjustment Amounts will be displayed on Reuters, pages MSQF, MSQG and MSQH. The relevant Cash Adjustment Amount will be rhat which applies on the date on which a valid Form of Acceptance is received ot deemed to be received by the Exchange Agent. Whilst it is the inrection to determine each Cash Adjustment Amount by reference to a constant spread over the quoted hid price yield of the relevant Reference Securities during the Exchange Period, there is no obligation to do so. The Exchange Co-ordinator may determine each Cash

Adjustment Amount in its absolute discretion. Existing Notes

9 per ceot. Notes due 1993 8½ per cent. Notes due 1994 9½ per ceot. Notes due 1995 9½ per cent. Bonds due 1996 9% per cent. Notes due 1997 9% per cent. Notes due 1999

8% pet cent. Notes due 2001

64% due 31 July 1993 44% due 31 October 1994

7% due 15 November 1995 7% due 29 February 1996 84% due 15 April 1997 8% due 15 February 1999 7% due 15 February 2001

In addition, the Issuer will pay the Accrued Interest Amount, being accrued interest in respect of the relevant issue of Existing Notes for the period from (and including) the interest payment date immediately preceding the Closing Date to (but excluding) the Closing Date to holders of such Existing Notes accepting the Exchange Offer. Delivery of New Notes in bearer form and payment of the Cash Adjustment Amount and the Accrued Interest Amount will be made on the Closing

The Issuer may, at any time, make a new offer to holders of the Existing Notes (or any thereof) on such terms as it may determine.

The Issuer may, after consultation with the Exchange Co-ordinator, terminate the Exchange Offer at any time if it concludes that there has occurred a major political or economic change which could significantly affect the Exchange Offer.

The Exchange Offer in respect of the Existing A Notes cod the Existing B Notes is conditional on the issue of the initial tranche of the 1998 Notes on the Closing Date. In addition, the Exchange Offer in respect of the Existing B Notes is conditional upon the aggregate of (i) the aggregate principal amount of Existing B Notes in respect of which valid neceptances have been received in accordance with the terms of the Exchange Offer and (ii) the aggregate principal amount (if any) of 2003 Notes which may be issued as a separate tranche being at least US \$300,000,000.

The New Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and include New Notes in bearer form that are subject to United States ax law requirements. The New Notes may not be offered or sold within the United States unless registered pursuant to, or in a transaction exempt from registration under, the Securities Act and any other applicable securities law and, subject to certain exceptions, may not be delivered within the United States or to US persons.

This advertisement does not constitute or form part of an offer to purchase or exchange or any solicitation of any offer to sell any securities and is not

This notice is issued by the Republic of Italy. Terms not defined to this notice bave the same meaning given to them in the Information Memorandum relating to the Exchange Offer. Requests for further information relating to the Exchange Offer should be directed to the Exchange Co-ordinator. Copies of the Information Memorandum may be obtained from: Exchange Ageni

Exchange Co-ordinator Motgan Stanley International 25 Cabot Square, London E144QA Attn: Debt Syndicate Fax: 071-425 7994/7999 Tel: 071-425 7700

Morgan Guaranty Trust Company of New York 60 Victoria Embaokmeot, London EC4Y OJP Attn: Viola Pritchett Fax: 071-325 8158 Tel: 071-325 4872

The full terms of the Exchange Offer, including the Form of Acceptance in respect of the Exchange Offer in tespect of Existing Notes in bearer form and the terms and conditions of the New Notes, are contained to the Information Memorandum dated 12th Msy, 1993. The Exchange Offer is made subject to the terms set out in the Information Memorandum. Stabilisation/SfB

MORGAN STANLEY INTERNATIONAL

Dated: 12th May, 1993

Notice of Filing of Scheme of Arrangement Submitting of Claims and of Creditors' Meeting in the matter of Heron International N.V.

By decision of the Judge in First Instance in Curação dated 8th April, 1993, a preliminary suspension of payment has been granted to Heron International N.V., a company with limited liability scated at Curação, with the appointment of the undersigned as trustee(s).

Simultaneously with the filing of the perition for a suspension of payments, a Scheme of Arrangement (the "Scheme") has been submitted at the clerks' office of the Court of First Instance in Curação, located at no. 4 Wilhelminaplein, Willemstad, Curação, Netherlands Antilles, of which Scheme a copy is enclosed with this posicio

I hereby inform you that the Judge in First Instance bas further ordered:

1. that the claims affected by the suspension of payments must be submitted to me on or before that the said Scheme of Arrangement will be considered and, if thought fit, approved at a meeting (the "Meeting") which will be held at the above address on 5th July, 1993 commencing at 08.00 hrs (local time).

Claims not affected by the suspension may not be submitted. If they are nevertheless submitted, the suspension of paymeots will theo affect these claims and any priority right, right of retention, pledge or mortgage will be forfeited. This does not apply if the claim is withdrawn before the ballot is taken on it.

The creditors with claims that are affected by the suspension of payments (the "Scheme creditors") may wore in person on the Scheme at the said Meeong if their claim(s) have been admired by the undergined.

ir claim(s) has been admitted by the undersigned.

The said Scheme creditors may appoint another person, whether a Scheme creditor or not, as a proxy to

The said Scheme creditors may appoint another person. Whether a Scheme creditor is not, as a proxy to attend and vote in their place.

With regard to Bonds issued by Heron International Finance B.V. and guaranteed by Heron International N.V., a Bondholder will automatically file claims by completing coloured forms of voting instructions in respect of his holding(s) of Bonds and delivering those voting instructions to the bank through which he holds his Bonds. Bondholders who do not use the coloured forms of voting instructions and all persons other than Bondholders claiming to be creditors should file their claims with me at the address appearing below, or at the office of Smeets Thesseling & van Bokhorst whose address appears below, prior to the last date for submission of claims mentioned above.

The Scheme will be subject to the subsequent approval of the Court. Ronald P. Koeijers Esq., Gibson, Duncan, Koeijers & Huyzen N.V.,

Polarisweg 35A. Zeelandia.

P.O. Box 767

Netherlands Antilles

Berent Blijdenstein Esq., Smeets Thesseling & van Bokborst, ref: Heron, Julianaplein 5.

Notice of Filing of Scheme of Arrangement Submitting of Claims and of Creditors' Meeting in the matter of Heron International Finance B.V.

By decision of the District Court in The Hague, The Netherlands dated 8th April, 1993, a preliminary suspension of payments has been granted to Heron International Finance B.V. The Hague. The Netherlands, a closed company with limited liability ("bestoten vermootschap met beperkte aansprakelijkheid") seated at The Hague. The Netherlands (hereinafter called the "Company"), with the appointment of the vertical of the seated at the Seated at the Netherlands (hereinafter called the "Company").

the undersigned as trusteels).

Simultaneously with the filing of the petition for a suspension of payments, a Scheme of Arrangement Simultaneously with the filing of the District Court in The Hague, located at Palais Ithe "Scheme") has been submitted at the clerks' office of the District Court in The Hague, located at Palais van Justitie, Juliana von Stolberglaan 2. (2595 CL.) Den Haag, The Netherlands, of which Scheme a copy is enclosed with this notice. I hereby inform you that the District Court has further ordered:

I. that the claims affected by the suspension of payments must be submitted to me on or before 2. that the said Scheme of Arrangement will be considered and, if thought fit, approved of a meeting (the "Meering") which will be held at the above address on 30th June, 1993

commencing at 14.00 hrs (local time).

Claims not affected by the suspension may not be submitted. If they are nevertheless submitted, the suspension of payments will then affect these claims and any priority right, right of retention, pledge or suspension of payments will then affect these claims and any priority right, right of retention, pledge or suspension of payments with claims that are affected by the suspension of payments (the "Scheme creditors") may The creditors with claims that are affected by the suspension of payments (the "Scheme creditors") may vote in person on the Scheme at the said Meeting if their claim(s) have been filed timely and the validity of their claim(s) has been admitted by the undersigned.

their elaim(s) has been admitted by the undersigned.

The said Scheme creditors may appoint another person, whether s Scheme creditor or not, as a proxy to arrend and vote in their place.

With regard to Bonds issued by the Company, a Bondholder will automatically file claims by completing coloured forms of voting instructions in respect of his bolding(s) of Bonds and delivering those voting instructions to the bank through which he holds his Bonds. Bondholders who do not use the coloured forms of voting instructions and all persons other than Bondholders claiming to be creditors should file their claims with me prior to the said date on which the claims must be filed.

The Scheme will be subject to the subsequent appropriate of the Court.

The Scheme will be subject to the subsequent approval of the Court.

H. Th. Boums Esq. and Mrs A.C.M. Braums, Pels Rijcken & Drooglerver Formije, 2502 AT Den Hase.

LEGAL NOTICES

vertisenest of creditors' morsing under Section 48(2) Insolvency Act 1986 Company No 256759 Registered in England and Wales PYALL & JONES LIMITED

NOTICE IS HEREBY OVEN PURSUANTED

NOTICE CONTINUE OF PURSUANTED

NOTICE CONTINUE OF PURSUANTED

NOTICE PURSUANTED

NOTICE

figued: NIGEL JOHN VOOGHT Joint Administrative Receiver Coopers & Lybrend Orchard House 16 Allian Place Maldstone, Kest, ME14 5DZ Dated: 7 April 1993

INSOLVENCY ACT 1986
G W JOYNSON & COMPANY LIMITED
NOTICE IS REREBY GIVEN parawant to
Section 98 of the lasolvency Act 1986 than a
meeting of creditors of the above named
company will be held at Ernst & Young, Rolls
House, 7 Rolls Buddings, Fetter Lane, London,
EC4A INFI on the 19 day of May 1993 at 2.00
pto for the purposes, if thought fit, of
aonalusting a Liquidator and of appointing a
Liquidation Committee. Any puttry in be used
at the enerting must be lodged at the offices of
Ernst & Young, Compans House, 80
Newmarket Road, Cambridge, CES 8DZ not
later than 12 noon on the business day prior to
the meeting. A stanspared of chain must also be
lodged. NOTICE is also given that, for the
purpose of votiog, socured creditors instead
united they surreader their societyly lodge a
statement giving particulars of their security,
the date where the meeting and (mines incy surrenor item security) stoge to statement giving puriculars of their security, the dete when it was given, and the value at which they estimate it. C. J. W. Hill of fems & Young, Compared Floure, 80 Newmarker Road, Cambridge, CBS 802 to qualified to act as an issulvency practitioner in relation to the above named company and will furnish creditors, free named company and will furnish creditors, free of charge, with such information concerning the alliais of the company as they may reasonably Dated this 26th day of April 1993

Company Societary Notice of appointment of Joint Administrative

Receivers

B 8 - F Travel Limited

Registered number 1816/74. Nature of business:
Travel Company. Trade closeification: 31. Date
of appointment of administrative receivers: 29
April 1993. Namo of person appointing the
administrative receivers: Beak of Scrotland. R B

M Grabure & J M Bredale. Joint Administrative
Receivers (Cliffon builds. Marth. 1816). Receivers (office holder Nots) \$101 and 21041 Address: Coopers & Lybrand, 9 Greyfrians Road, Reading, Barkshire RGI LIG

sell off energy partnerships

By Patrick Harverson In New York

PRUDENTIAL Securities, the fourth-largest brokerage firm in the US, is to sell 35 energy partnerships to a US petroleum company for \$557m. The deal is an important step towards resolving the problems of Pru-dential's troubled limited partnership business.

If the offer from Parker & Parsley Petroleum is accepted, \$448m will be paid directly to investors. This means that, along with the \$665m Prudential has already distributed, investors could receive about 76 cents on the dollar for their initial investment of \$1.45bn.

The partnerships, which invested in US oil and gas properties, were popular in the 1980s and sold aggressively by hig hrokerage Ilrms. particularly Prudential. But after tax laws changes and depression in the energy and property husi-nesses, the partnerships racked up heavy losses.

sands of investors who lost money in the partnerships, and it is the subject of a Securities and Exchange Commission investigation into whether the firm improperly sold the partnerships to investors.
The legal battle has cost the firm's parent, Prudential Insur-

Prudential faces a class-action lawsult filed by thou-

ance, more than \$400m, which has been set aside to cover the cost of fighting the lawsuits. Although neither the class action lawsuit nor the SEC

investigation will be directly affected by the deal with Par-ker & Parsley, Prudential will soon offer investors who filed the class-action suit a new settlement in light of the sale.

News of tha deal, which if accepted will boost Parker & Parsley's proven oil and gas reserves by 75 per cent, was well received on Wall Street, in early trading yesterday, the company's Shares were up \$1 to \$26 on the New York Stock

Philip Morris appointment

PHILIP MORRIS, the US tobacco and food group, yesterday appointed Mr William Webh to head its international cigarette operations, writes

Mr Webb, who was previously president of the Asia/ Pacific region for Philip Morris International, will report to Mr Geoffrey Bible, who was recently appointed head of

the worldwide tobacco

operations. The move is the latest in a series of top-level executive changes at Philip Morris.

The company sent shock-waves round the consumer products sector when it announced large price-cuts in its leading cigarette brands, including Marlboro, month.

US brokerage to Benefit turns sour for Bronfman managers

By Bernard Simon in Toronto

THE business empire controlled by Toronto's Broniman family is scrambling to unravel an executive compensation scheme which held the promlse of rich rewards, but has turned into a debilitating hurden for hundreds of managers.

The scheme was based on the premise that managers perform best when they are sub-stantial shareholders in their companies. But plunging share prices of many Bronfman companies have left the executives at best uncertain about the future value of their portfolios, and at worst facing possible

Noranda, the Bronfman-con-trolled resources group, last Monday allowed 50 managers to sell 1.6m shares they owned under the compensation scheme. The proceeds, totalling C\$30m (US\$23.8m), have been used to repay company loans used to finance the share pur-

vice-president at Noranda, said yesterday the sales were allowed "to deal with the uncertainty and risk which a number of people felt about the

Mr Courtney Pratt, senior

Compensation packages at Bronfman-controlled companies have typically comprised relatively low salaries, hut have required managers to buy large parcals of shares financed by corporate loans. The expectation was that they would reap hefty capital

paid out of dividends. According to estimates by the Toronto Glohe & Mail, employees have borrowed at least C\$250m from companies in the Bronfman orbit over the past decade. Some have also

gains as share prices rose.

Interest on the loans would be

taken out large bank loans. The Noranda managers are among the luckier ones. They sold their shares at C\$20.25 each. The biggest parcel was bought in 1987 at C\$18, and

ware strategy heralds a mount-

software and microprocessors

Amber, that will make it easier

to create application programs,

for personal computers.

The strains in other Bronf-man companies were evident however, in last week's revelation hy Haes International Bancorp, the group's merchant banking arm, that it lent C\$5.2m to seven senior executives last year to help them refinance bank loans used to

acquire shares. Several other Bronfman holding companies, including Edper Enterprises, Brascan and Trilon Financial, have made similar advances. Without the loans, the execu-

tives, who include the Bronfmans' chief strategist, Mr Jack Cockwell, would either have had to put up extra collateral or begin selling their stock. most have made a small profit.

The most intractable problem is at Royal Trustco, the financial services group whose operations are being sold to Royal Bank of Canada. A condition of the deal is that RT must find a way to "unfetter 175 managers encumbered hy share-purchase loans.

RT's share price has plummeted from a peak of almost C\$36 in 1986 to 49 cents. Mr Pratt said the extent of most of the loans "is well beyond the capacity of virtually anyone to

But any bail-out is complicated by Ganadian tax rules, which do not allow a capital loss to be offset against a tax-

with a loss of \$3.7m in the same period of 1992, before one-off items. The insurer said the firstquarter figure included \$7.3m of investment galns and restructuring charges of \$3.9m. Last time, the net loss stammed partly from the inclusion of \$24.3m of investment losses and restructuring

Equitable

returns to

first term

By Nikki Tait in New York

THE EQUITABLE, the US life

insurer in which France's Axa

group holds a 49 per cent

equity stake, yesterday reported an after-tax profit of

\$31.8m for the three mouths to

end-March. This compared

the black in

charges of \$1.9m. The net profit would have been higher hut for continued losses from the disability income husiness. This produced a net loss of \$31.6m in the 1993 quarter, compared with a deficit of \$4.5m in the

same period of 1992. The insurer said its core insurance husiness - after taklng oot disability income osses and investment transaction gains - made a net profit of \$21m.

On B similar basis, the comparable 1992 figure would have been a \$4.8m profit.

Equitable's "investment services" operations, which include the Alliance Capital fund management operation and Donaldson, Lufkin & Jenrette hrokerage, recorded an after-tax profit of \$46.4m. slightly down on the \$49.3m in the same period of 1992.

On the investment side, The Equitable said it had stepped np the income yield on its main general account portfolio to 7.74 per cent, compared with 7.44 per cent a year ago. It attributed the improvement to a shift to longer-term fixed maturity investments, and better returns for property-related holdings.

"Problem" commercial mortgages totalled \$299.1m at the end of the first quarter, against \$388.4m at the end of

Mixed results at US stores

THE LIMITED, one of the largest clothing retailers in the US, yesterday reported a fall in first-quarter profits to \$44.2m from \$51.5m after tax. Tha 1992 figure, however, included a \$9m one-off gain. The Limited said first-quar-

ter sales increased 7 per cent, to \$1.518bn. Operating profits fell by 1 per cent to \$85.5m. Dillards, the Arkansas-based

stores group, reported after-tax profits of \$48.2m in the quarter to May 1, np from \$45.1m. Sales were \$1.16hn, against \$1.03bn, with "same store" sales increasing by 3 per cent.

Ann Taylor Stores, the troubled New York-based womenswear retailer, reported firstquarter up from \$114.7m to \$120.2m, while after-tax profits advanced from \$2.14m to

Apple moves towards 'open' software with other computermakers. Its switch to an "open" soft-

AT&T claims video-phone breakthrough

By Louise Kehoe in San Francisco

APPLE Computer is developing technology to enable applications programs designed for its Macintosh personal computers to run, without modification, on Unix workstations from Sun Microsystems, Hewlett-Packard and International Business

The move represents a rever-sal of Apple's long-standing strategy of protecting its com-petitive advantage by ensuring Macintosh software would run only on its own computers.

such as word processors and spreadsheets, that run both on Apple's Macintosh and on PCs using Windows, the Microsoft operating system.

Apple said that it would form a non-profit association to share Amher technology

Last week, Sun Microsys-tems, the leading workstation ing challenge to the market dominance of Microsoft and Intel, the leading suppliers of manufacturer, also said it was developing technology that would enable Windows programs to run on Unix work-Apple also revealed that it stations. Both Sim and Apple are trying to loosen Microsoft's had a project under way, called

grip on the software market.
The battle over standards is expected to lead to intense price competition as manufacturers seek new ways to differentiate their products.

For computer users, the industry battle is expected to accelerate the trend toward "open systems" that enable different types and hrands of computers to share software and data more easily. Increasingly, computer buy-

ers want to be able to run the same software on different types of computers to minimise training and management. "The customer is in the driv-

ing seat today," said Mr John Sculley, Apple chairman and chlef executive. Apple's "extraordinary move" is "precisely what customers want," said Mr Roel Pieper, president of Unix Systems Laboratories. the former AT&T unit respon-sible for Unix development and

Notice of Creditors' Meetings in The High Court of Justice in England **Chancery Division**

Mr Registrar Buckley

In the matter of Heron International N.V. In the matter of Heron International Holdings Limited In the matter of Heron International PLC

No. 003093 of 1993 No. 003094 of 1993 No. 003095 of 1993

and In the matter of The Companies Act 1985

Notice to Holders of Bonds in Heron International Finance B.V.

NOTICE IS HEREBY GIVEN that by Orders dated 7th April, 1993 made in the above matters the Court has directed meetings to be convened of the respective Class I General Creditors (as explained below and as defined in the Schemes of Arrangement hereinafter mentioned) of the above named companies (hereinafter called "the Companies") for the purpose of considering and, if thought fit, approving (with or without modification! Schemes of Arrangement proposed to be made between the Companies and their respective Class I General Creditors and that such meetings will be held as follows at The Conference Forum. The Sedewick Centre, 10 Whitechapel High Street, London El SDX on Monday, 28th June, 1993; Scheme in relation to Heron International N.V.: commencing 11.00 am (London time);

Scheme in relation to Heron International Holdings Limited: commencing 11.05 am (London time) or as soon thereafter as the meeting to consider the scheme in relation to Heron International N.V. shall have

been completed or adjourned;
Scheme in relation to Heron International PLC: commencing 11.10 am (London time) or as soon thereafter as the meeting to consider the scheme in relation to Heron International Holdings Limited shall have been completed or adjourned:

at which place and time all such Class I General Creditors are requested to attend. The Schemes of Arrangement affect all Class I General Creditors including persons who hold bonds of the issues set out below ("Bondholders"). If you are a Bondholder you are a Class I General Creditor of each of the Companies pursuant to guarantees issued by those Companies, unless you only hold bonds of the Deutsche Mark denominated issue. In the case of the Deutsche Mark denominated issue, claims against

each of the Companies are held by a trustee on your hehalf and the procedures explained below allow you to express your wishes to the trustee.

Heron International Finance B.V. issued the following bonds and notes:

ternational Finance B.V. issued the following bonds and notes:

1. ECU 60,000,000 94% Gnaranteed Retractable Bonds 1985-1992/1997

2. ECU 20,000,000 11% Guaranteed Retractable Bonds 1984-1997

3. FF 400,000,000 84% Gnaranteed Notes dne 1993

4. U.S. \$100,000,000 Charanteed Floating Rate Notes dne 1993

5. DM 100,000,000 74% Deutsche Mark Bonds of 1985-1995

6. Swiss Francs 150,000,000 54% Bonds 1988-1994

7. Swiss Francs 150,000,000 65% Bonds 1985-1995

8. Swiss Francs 150,000,000 55% Bonds 1985-1995

9. Swiss Francs 150,000,000 55% Bonds 1985-1996

10. Swiss Francs 150,000,000 65% Bonds 1989-1998

11. Swiss Francs 150,000,000 64% Bonds 1989-1999

erisement contains information directly related to such Bondholders.

This advertisement contains information directly related to such Bondholders.

A special procedure has been devised for the distribution of the Schemes of Arrangement and the Explanatory Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 (together "the Scheme Document") to Bondholders who hold their bonds through a securities account at a

Bondholders should be supplied with a copy of the Scheme Document by the bank through which they hold their bonds. Any Bondholders who do not receive a Scheme Document should in the first instance contact the bank through which they hold their bonds. If they have not received a copy by 19th May, 1993 they may obtain a copy free of charge from any of the persons whose addresses are listed at the end of this

Full details of procedures for voting by Bondholders and other Class I General Creditors at the said meetings are contained in the Scheme Document, together with the necessary forms for voting at the said

A special procedure has also been devised to enable Bondholders to vote through the hank through which they hold their bonds. Where Bondholders choose to do this they must lodge the voting instructions, as provided with the Scheme Document, with the banks through which they hold their bonds in accordance with any deadline given by their bank and, if no deadline is given, BY NO LATER THAN 14TH JUNE, 1993. Bondholders should contact their bank or one of the persons referred to below if they need assistance with the procedure of the persons referred to below if they need assistance with how to complete the voting forms. Bondholders who have physical custody of their bonds and wish to vote hy proxy may arrange for the deposit of those bonds with a paying agent or with another bank to be held to the order of a paying agent and

may complete the voting instructions contained in the Scheme Document, which is available

Bondholders may alteroatively vote in person at the said meetings or they may appoint another person, whether another Bondholder or not, as a proxy to attend and vote in their place. Proxy forms tendered at the meeting will only be accepted if accompanied by satisfactory evidence that the Bonds, in respect of which voting instructions are tendered, are blocked.

By the said Orders, the Court has appointed Gerald Maurice Ronson, or, failing him. Alan trying Goldman or, failing him, Michaet Henry Marx to act as Chairman at the said meetings and has directed the

Goldman or, failing him, Miehaet Henry Marx to act as Chairman at the said meetings and has directed the Chairman to report the results thereof to the Court.

The said Schemes will be subject to the subsequent approval of the Court.

If you require further information you should contact one of the persons referred to helow.

"Class I General Creditors": This term is defined in the Scheme Document. In general terms, you will be a Class I General Creditor if you are a person to whom any debt or liability has been incurred or any obligation owed by one or more of the Companies (whether your claim is present, future, contingent or disputed) unless you fall tato certain exceptions. (The exceptions mainly concern persons connected to the Companies, such as directors or shareholders of the Companies, or parent or subsidiary or associated companies of the Companies, or banks which have signed an agreement by which their claims are varied.) If you are in doubt whether or not you are a Class I General Creditor, you should obtain a copy of the Scheme Document.

Dated this 12th day of May 1993

Dated this 12th day of May 1993 Allen & Overy 9 Cheapside London EC2V 6AD Ref: NAS/SAM (Solicitors for the above-named Companies)

The Scheme Document for all of the above meetings may be obtained from any of the following

Union de Banques Suisses Luxembourgt S.A. 36-38 Grand Rue L-2011 Luxembourg Securities Department Cedel SA 67 Blvd. Grande Duchesse Charlotte

Euroclear Operations Centre Boulevard Emile Jacquain 151 B-1210 Brussels Belgium

SG Warburg Securities SA CH-1211 Geneva 3 Switzerland Attention: Backoffice - Primary Deutsche Bank AG D-6000 Frankfurt am Main

Germany

Attention: Corporate Finance

Paradeptatz 8 CH-802 (Zurich Attention Dept: S2-K **UBS** Limited t00 Liverpool Street London EC2M 2RH Attention: CFCA-SPC

By Martin Dickson in New York

AMERICAN Telephone & Telegraph yesterday introduced a telephone which allows the user to send fullcolour, television-quality still pictures down an ordinary phone line, while simulta-neously talking over the same

The company said the product, called the Picasso phone, was the first of its kind and would be marketed to bustnesses - such as advertising, design and engineering compa-

In the matter of Heron International N.V.

In the matter of Heron International PLC

noon (London time) on 24th June, 1993.

Dated this 12th day of May 1993 Allen & Overy

Union de Banques Suisses

(Luxembourg) S.A. 36-38 Grand' Rue

L-30| t Luxembourg

Cedel SA

67 Blvd. Grande Duches:

L-t010 Luxembourg

(Solicitors for the above-named Companies)

Securities Department

9 Cheapside

London EC2V 6AD Ref: NAS/SAM

In the matter of Heron International Holdings Limited

nies - which needed to transmit high quality images between different sites.

Several products allow the transmission of still or moving images while talking on a telephone line, but these generally require a special, upgraded phone service, such as integrated services digital network (ISDN)

The new AT&T equipment is distinctive in that it does not require the user to have an ISDN service, but merely an ordinary telephone line. The phone will sell in the US for around \$3,295 and the cost

Notice of Creditors' Meetings

in The High Court of Justice in England

Chancery Division

Mr Registrar Buckley

In the matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that by Orders dated 7th April. 1993 made in the above matters the Court

has directed meetings to be convened of the respective Class I General Creditors (as explained below and as defined in the Schemes of Arrangement bereinafter memioned) of the above named companies (bereinafter

called "the Companies" I for the purpose of considering and, if thought fit, approving (with or without

modification) Schemes of Arrangement proposed to be made between the Companies and their respective Class I General Creditors and that such meetings will be held as follows at The Conference Forum. The Sedgwick Centre. 10 Whitechapel High Street, London El 8DX on Monday, 28th June, 1993:

Scheme in relation to Heron International N.V.: commencing tl.00 am [London time] or as soon thereafter as the meeting to consider the scheme in relation to Heron International Holdings Limited: commencing 11.05 am [London time] or as soon thereafter as the meeting to consider the scheme in relation to Heron International N.V. shall have been completed or adjourned:

been completed or adjourned:

Scheme in relation to Heron International PLC: commencing 11.10 am (London time) or as soon thereafter as the meeting to consider the scheme in relation to Heron International Holdings Limited shall have been completed or adjourned:

at which place and times all such Class I General Creditors are requested to attend.

at which place and times an such class I General Creditors are requested to attenue.

Class I General Creditors of the respective Componies whose names and addresses are known to those Companies will be sent a copy of the Schemes of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 (together "the Scheme

A special procedure has been devised for the despatch of the Scheme Document to Class I General Creditors of the respective Companies who have claims in respect of bonds issued by Heron International Finance B.V. 1 Bondholders). Bondholders should be supplied with a copy of the Scheme Document by

the bank through which they hold their bonds. Bondholders who do not receive a Scheme Document should in the first instance contact the bank through which they hold their bonds. If they bave not received a copy by 19th May, 1993 they may obtain a copy, free of charge, from any of the persons whose addresses are listed at the end of this Notice.

Non-bondholder creditors who have not received a copy of the Scheme Document may also obtain a

Non-bondholder creditors who have not received a copy of the Scheme Document may also obtain a copy, free of charge, from any of the persons whose addresses are listed at the end of this Notice.

Class | General Creditors of the respective Companies may vote in person at the said meetings or they may appoint another person, whether a Class | General Creditor or not, as a proxy to attend and vote in their place. A special procedure has been devised to facilitate voting by Bondholders. Full details of procedures for voting at the said meetings whether in person or by proxy are contained in the Scheme Document, together with the necessary forms for voting at the said meetings.

A BONDHOLDER WHO USES THE VOTING INSTRUCTIONS PROVIDED WITH THE SCHEME DOCUMENT MUST COMPLETE AND RETURN THOSE INSTRUCTIONS TO THE BANK THROUGH WHICH HE HOLDS HIS BONDS BY 14TH JUNE, 1993. Non-Bondholder Class t General Creditors are requested to lodge forms of proxy together, if appropriate, with the power of attorney

General Creditors are requested to lodge forms of proxy together, if appropriate, with the power of attorney or other written authority (if any) under which it is signed or any other necessary documents at the following address: UBS Limited, Attention CFCA-SPC, 100 Liverpool Street, London EC2M 2RH on or before [2]

noon (London time) on 24th June, 1993.

By the said Orders, the Court has appointed Gerald Maurice Ronson, or, failing him. Alan Irving Goldman or, failing him. Michael Henry Marx to acr as Chairman at the said meetings and has directed the Chairman to report the results thereof to the Court.

The said Sehemes of Arrangement will be subject to the subsequent approval of the Court.

"Class I General Creditors": This term is defined in the Scheme Document. In general terms, you will be a Class I General Creditor if you are a person to whom any debt or liability has been incurred or any obligation owed by one or more of the Companies (whether your elaim is present, funtre, contingem or disputed) unless you fall into certain exceptions. (The exceptions mainly concero persons coanceted to the Companies of the Companies, or shareholders of the Companies, or parent or subsidiary or associated companies of the Companies, or banks which have signed an agreement by which their claims are varied.) If you are in doubt whether or not you are a Class I General Creditor, you should obtain a copy of the Scheme Document.

The Scheme Document for all of the above meetings may be obtained from any of the following

Credit Suisse Paradeptatz 8 CH-8021 Zurich

Switzerland

Attention Dept: \$2-K

UBS Limited

100 Liverpoot Street

London EC2M 2RH

England Attention: CFCA-SPC

Euroclear Operations Centre

Boulevard Emile Jacqmain (51 B- (210 Brussels

Belgium

SG Warburg Securities SA

118 rue du Rhône CH-1211 Geneva 3

Switzerland Attention: Backoffice - Primary

Dentsche Bank AG

Taunusanlage 12 D-6000 Frankfurt am Main

Germany Attention: Corporate Finance

of calling on it will be the same as for a regular voice call. The phone underlines two

important trends at AT & T: its increasing emphasis on the merging of voice, video and computer technologies to produce new products; and its greater entrepreneurial focus. Mr Robert Kayner, head of

its communications products business, said the new phone had been developed in a year by a team drawn from across the AT & T group, which relied heavily on customer advice in creating the device.

Images can be put into the

No. 003093 of 1993

No. 003094 of 1993

No. 003095 of 1993

phone system from ordinary video cameras, digital cameras, photo compact disc players or personal computers. Users can draw over the transmitted pictures with a computer mouse to highlight a point.

AT & T also announced yes-terday it and Kodak, the photographic products company. were exploring synergies between the two husinesses with the aim of producing end-to-end image communica tions solutions" for customers. Kodak's photo CD player is one source which can send images over the Picasso system

THE MEXICO LIQUID ASSETS FUND N.V.

NOTICE

ANNUAL GENERAL MEETING

To the shareholders of THE MEXICO LIQUID ASSETS FUND N.V.: Notice is hereby given that the Annual General Meeting of THE MEXICO LIQUID ASSETS FUND N.V. (the "Fund") will be held at the principal office of the Fund, De Ruylerkade 62, Curacao, Netherlands Antilles on May 28, 1993, at 10:00 o'clock in the morning for the following purposes:

tA) To approve the Fund's financial statements for the period front inception, on September 26, 1991, to June 30, 1992, as sel forth in

(B) To appoint George W. Landau, Alejandro F. Reynal and Publo Mancero as additional Supervisory Directors of the Fund.

C) To appoint State Street Curacao Trust Company N.V. as Managing 🗐 Director of the Fund to replace Curação Corporation Company N.V., which has tendered its resignation as Managing Director.

(D) To approve Amendments to the Fund's Articles of Incorporation:

(i) to change the name of the Fund to The Mexico Debt Fund.

(ii) to change the investment objective of the Fund to current

(iii) to classify the shares of Common Stock of the Fund into two classes: the existing shares of Common Stock would be redesignated Class B Shares and would not pay dividends; a new class of common Stock would be designated Class A shares and would dectare dividends daily which would be paid

(iv) to provide for the issuance of Common Stock in both registered and bearer form and to permit the issuance of fractional shares, under specified circumstances.

(v) to provide for additional changes as may be necessary to carry out the foregoing. (E) to transact such other husiness as may properly come before the

Holders of Common Shares in beater form, or their proxy, may only attend the meeting if they present their bearer certificates or if they present a certification from a bank or other depository configuing that the bank or depository holds the Certificates and will not release them till the end of the meeting. Forms of proxy are available from the

The Annual Report and the Agenda for the Annual General Meeting are available for inspection at the registered office of the Fund. The proposed amendments to the Articles of Incorporation of the Fund are also available for inspection, or a copy thereof may be obtained from the Janaging Director at the registered office.

Curacao, May (0, 1993

CURAÇÃO CORPORATION COMPANY N.V. Managing Director

meeting or any adjournments thereof.

ALLIANCE LEICESTER Alliance & Leicester Building Society £50,000,000 Subordinated Floating Rate Notes due 2004 For the three months 11th May, 1993 to 11th August, 1993, the

Nores will carry an interest rate of 6.355% per annum with an lesest amount of £160.18 per £10,000 and £1,601.81 1100,000 Note, parable on life August, 1993. Lored-in the Lun inh are Stock Eachange. Bankers Trust Company, London Agent Ban

Bristol & West Building Society Floating Rate Notes due 1994

£150,000,000

For the three month Interest poriod May 10, 1993 to August 10, 1993 to August 10, 1993, the rate has been determined at 55%. The interest payable on the relevant Interest date August 10, 1993 will be £152.81 per £10,000 and £1.528.08 per £100,000 w bearer form.

By The Chase Manhadon S London, Agent Rank May 12, 1933

INTERNATIONAL COMPANIES AND FINANCE

Equitable * Martinez moves quickly to bring a new vision to Sears, Roebuck

Laurie Morse and Nikki Tait examine the embattled US retailers' new merchandising chief's attempts to reposition in the market

Stars, Roebuck, one of the largest and most heavily criticised companies in the US, will tomorrow confront its shareholders. The annual meeting, in Kansas, promises to be flinty, though it is unlikely to be as contentious as in previous years.

returns to the black

Institutional shareholders are likely to take a soft line on the shopkeeping side of the business and, instead, focus their anger on the failures and foibles of Mr Edward Brennan, Sears' chairman

In the past 10 months, Mr Brennan has been forced to abandon his vision of Sears as an integrated financial com-pany selling "stocks and

As the financial businesses are spun off - Dean Witter and Discover Card operations were sold in e popular public offer-ing last quarter - Sears is returning to its merchandising

To the relief of shareholders, America's retailing dowager is undergoing a long-overdue facelift. In a last-ditch effort to retrieve sagging lines and return its large retailing operations to profitability, Chicago-based Sears is offering cosmetics and fragrances, silk blouses, where once it offered staples such as tools and hard-

ware in its mall-based stores. These signs of e fundamental trated by Mr Arthur Martinez, Sears' new merchandising chief, who arrived from Saks Fifth Avenne seven months ago. Despite the brevity of his tenure, he has moved quickly. He has wielded the axe. Sears' 97-year-old catalogue has been dropped, more than 50,000 employees have been made redundant, and 113 of the company's 850 stores have

The cuts, reckoned to add \$300m to annual profits, have been epplauded on Wall Street, where the retailer has been accused of feinting reform for 15 years. Sears' shares have risen from around \$37 a year ago to around \$55 - one reason shareholder discontent may be less pronounced at the annual

No. 15

Mr Martinez has also unveiled plans to spend 44hn over the next five years refurbishing stores and to make them attractive to the nation's middle class, and increasingly and hardware lines will be shifted, in some cases to freestanding Homelife stores which will compete with specialty chains such as Home

SEARS, Roebuck, has sold its mortgage banking group to a

Pittsburg-based bank holding

The sale is the latest in a

series of planned spin-offs

designed to trim Sears' finan-

The Sears Mortgage Banking

Group, part of Coldwell Banker Residential Services, consists

of Sears Mortgage Corp, Sears Mortgage Securities Corp and Sears Savings Bank. PNC

Bank, which is buying the

group, will add the units to its

company for \$328m in cash.



Arthur Martinez: not dependent on parent company to fund strategy

tinue to undercut prices, while

specialty retailers are building

ever-larger superstores and

attracting shoppers with larger

product ranges.

Many traditional department stores, meanwhile, have moved

upmarket, stressing service

levels in an effort to better the

discounters. "Our biggest val-nerability is the distance we

have to come," says Mr Marti-

The figures reveal the scale

of the task. Last year, the core retailing operations made a

tiny \$55m profit. Total reve-

nues from the merchandising

division were \$32bn. Credit

operations then contributed

\$411m, leaving the net profits

for the division (before non-re-

Same-store sales growth was inconsistent, sagging badly in the early-summer but recover-

ing towards the year-end.

Despite Mr Martinez's aggressive cuts, Sears' selling

costs still take 28 cents out of

every dollar of sales compared

Wal-Mart and about 20 cents

Analysts suggest Sears is tar-

geting an expense ratio of 22

per cent within three years,

which would rival other

employee-led buy-ont of the Sears property unit had been

not gained sufficient support. In the first quarter, the Cold-

well Banker unit recorded a

net loss of \$7.7m, down from a

profit of \$3.8m the year before.

Sears Mortgage last year was the seventh-largest mortgage writer in the US, generating

\$11.8bn in loans. It services e

loan portfolio of \$27.2bn. Sears

Savings Bank has assets of around \$6.7bn, mostly in resi-

dential mortgage loans. Sears

Mortgage Securities is one of

the leading conduits for securi-

d, but apparently has

department stores and spe-

at K mart.

about 16 cents et

curring items) et \$271m.

group operating profits. Mr Martinez says that, to fund the strategy, "we are not depen-

dent on the parent company, or the fortunes of other subsidiaries, like Allstate". Analysts say the affable executive has made all the

right moves so far. Retailing consultant Leo J. Shapiro says: "He'e taken the important first step, which is getting Sears to stop doing things wrong."

Somewhere down the line, Mr Martinez must bring forth some fresh ideas. One possibility stems from his belief that paper catalogues are becoming obsolete: Sears must position itself for video shopping.

But no one, least of all Mr Martinez, pretends that reposi-tioning Sears' 740 remaining stores will be easy. He is saddled with retail properties of diverse standards situated in mid-market malls of 1960s and

His target shopper, the mid-dle class woman, is not used to finding giamour at Sears while shifting hardware lines elsewhere might alienate faithful

ut Sears' re-positioning efforts may be inadequate. Wal-Mart Stores, the aggressive discount retailer, has a capital expenditure budget averaging about \$2bn a year and K mart is spending \$3bn to renovate its

discount stores. Part of Sears' problem is that discount store competitors con-

own retail banking operations. PNC Bank is the 11th-largest

US bank, with \$51bm in assets

and 550 community banking facilities in north-eastern US.

Mr Edward Brennan, Sears chairman, said: "The success-

ful completion of this transac-

tion is another important step

in Sears' previously-announced

repositioning which will con-

tinne to enhance shareholder value." Mr Brennan said

efforts to sell the Coldwell

Banker residential brokerage

Industry analysts said an

were proceeding "on

Mortgage group sold for \$328m

cialty chain operators. It will need to achieve steady sales gains to hit that target. Analysts note that previous cost cuts - all \$1bn-worth - were simply counteracted by lower

The 57-year-old Mr Martinez knowe competitore will not wait while Sears catches up. "The pace of change in this business gets faster and faster each year," he says, estimating he has about a year to show results before Wall Street crit-

aking out the high-cost catalogue businees should significantly cut selling coste, alongside attempts to lighten Sears' cum-

bersome buying organisation.
This cut to the heart of Sears' culture. Last century, the retail operation was founded on the catalogue business and executives were reluc-tant to abandon it - even though it had been bleeding about \$150m a year for the past eight years. Mr Martinez's advantage is that he is an out-sider. This is a sharp contrast to Mr Brennan, who surrendered the merchandising division's reins after fumbling two reform attempts. Mr Martinez says he has Mr Brennan's full support for his reforms, but he is emphatic that the plan to reposition Sears in the market

is completely his own. He has also been replacing old Sears hands with new blood, particularly in his marketing department, and is conducting e competition to determine which agency should win Sears's lucrative advertising

But, somewhere down the line, Mr Martinez must bring some fresh ideas. One possibility stems from his belief that paper catalogues are becoming obsolete; so Sears must position itself for video shopping.

"Interactive home shopping may be finally, finally coming into its own," Mr Martinez says. "Twe got board support to commit some research and development dollars in this

Sears is part-owner of the Prodigy home computer net-work, and its Crafisman tools are pitched on the Philadelphia-based QVC television shopping channel. Radical ideas, such as video

shopping, are the kind of risky long shots analysts say are necessary if Sears is to leapfrog its rivals. However, with department stores such as Macy's already on that trail, Mr Martinez may again find himself trying to catch up.

tising private bome loans in the US and has a portfolio of

The sale to PNC is the sec-ond major asset sale for Sears

In February, Sears sold 20

per cent of its Dean Witter

Reynolds and Discover Card units in an initial public offer-

ing. The offering, which was

oversnbscribed, brought in

more than \$800m. Sears plans to complete the Dean Witter

Sears has also said it would

sell portions of its profitable

spin-off later this year.

Allstate Insurance bu

\$8.7bn.

this year.

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

Mey 6, 1993

4,054,050 Shares



Greyhound Lines, Inc.

Common Stock

Price \$211/8 per Share

3,243,240 Shares

These Shares are being offered in the United States and Canada by the undersigned.

Smith Barney, Harris Upham & Co. Morgan Stanley & Co. Bear, Stearns & Co. Inc. The First Boston Corporation Alex. Brown & Sons Dillon, Read & Co. Inc. BT Securities Corporation Donaldson, Lufkin & Jenrette A.G. Edwards & Sons, Inc. Goldmen, Sechs & Co. Hambrecht & Quist Kidder, Peabody & Co. Lazard Frères & Co. Lehman Brothers **Montgomery Securities** Oppenheimer & Co., Inc. PaineWebber Incorporated Prudential Securities Incorporated Robertson, Stephens & Company William Blair & Company Wertheim Schroder & Co. Dean Witter Reynolds Inc. Dain Bosworth Kemper Securities, Inc. Legg Mason Wood Walker Wheat First Butcher & Singer Piper Jaffray Inc. The Robinson-Humphrey Company, Inc. Dominick & Dominick First Albany Corporation Advest, Inc. Interstate/Johnson Lane Janney Montgomery Scott Inc. Ladenburg, Thalmann & Co. Inc. Neuberger & Berman Tucker Anthony Baird, Patrick & Co., Inc.

810,810 Shares

CL King & Associates, Inc. Monness, Crespi, Herdt & Co. Inc. Pennsylvania Merchant Group Ltd

First Manhattan Co.

These Shares are being offered outside the United States and Canada by the undersigned.

Smith Barney, Harris Upham & Co.

Brean Murray, Foster Securities Inc.

Morgan Stanley International

Caisse des Dépôts et Consignations ABN AMRO Bank N.V. Nomura International Swiss Bank Corporation

Kleinwort Benson Limited Vereins- und Westbank

Josephthel Lyon & Ross

Trinkaus & Burkhardt. Creative capital at work.

schedule"

A look at a year's work.

1992 results were satisfactory for the Trinkaus & Burkhardt Group. The operating profit and partial operating profit almost matched those of the preceding year. While net commission income showed a marked increase, net interest income declined slightly. Profits from own account trading topped those of the previous year. The dividend, which was raised for 1991 to DM 10 per share, is to be maintained. An additional DM 10 million is to be appropriated to

In corporate banking, a new record result was achieved in 1992. The results in private banking as well as institutional securities business and asset management also showed a significant inoreasc. Once again, our innovative new issues business

Group Financial Statement 1992 in DM m 12,042 + 10.3% Total volume 9,982 + 6.8% Total assets 7,612 + 7.8% Loan volume 2,331 +32.4% Securities portfolio + 1.9% 527 + 2.0% 830 Total capital base - 2.2% 192 Interest income +11.9% 140 Commission incomo - 5.3% 115 Partial operating profit - 2.9% Net profit for the year



continued to provide a large and growing profit contribution. The closer links with the HSBC Group provided many additional business opportunities. Our Luxembourg subsidiary again reported considerable growth in earnings.

At the end of 1992, the Bank's reported capital and reserves amounted to DM S27 million. The capital base as defined in the 4th Amendment to the German Banking Act totalled DM 830 million. Thus. 11% of risk assets were covered by capital funds. The ratio of core capital to assets was almost 7%.

The professional commitment of our employees will ensure highest quality and innovative services with which we expect to justify the trust of our business partners and shareholders.



Trinkaus & Burkhardt Bank seit 1785

oldori, Baden-Beden, Berlin, Essen, Frankfurt/Main, Hamburg

Opinions differ on effects of possible UK rate cut DTB challenges

Patrick Harveson in New York

INVESTORS in the UK government bond market again steered clear of 10 to 15-year stock - regarded as the most likely target for the next gilt auction, which the Bank of England is expected to announce details of on Friday. Although the Conservatives druhhing at last week's parlia-

GOVERNMENT BONDS

mentary by-election and local government elections had sparked talk of interest rate cuts, opinions were divided on whether this would happen and on what effect it would have on the long end of the market.

reflected this split, falling by more than a quarter but then retracing most of its steps. If a cut came, it was expected to be in response to weak economic news rather than as an currency and hopes of interest immediate political measure.

The futures contract

French mini-hudget, which contained no surprises, did little to move government bonds.

The yield spread between French and German 10-year stock stayed at about 41 basis

points, while the futures contract fell through the 117 support level. This may indicate some ner vousness ahead of the Danish referendum. One economist

sald it served as a reminder that French bonds had not yet made it to safe haven status. The short end performed bet-ter on persistent hopes of inter-

German government bonds held up better than most other

continental European stocks yesterday in quiet trading. Hopes of a significant cut in the repo rate by the Bundesbank today bave been well

damped down. Forecasts ranged from 2 to 7 basis points, taking the rate a sliver below Once again, Dutch government bonds outperformed bunds on the back of a strong

The biggest gains came in PUBLICATION of the Denmark, where an opinion

	F	FEXE	דאו כב	ERES	T IND	ICES		
	May 11	May 10	May 7	May 6	May 5	Year	High *	Low
Govt Secs (UK) Fixed Interest	94.84 111.02	94.86 110.95	94,79 110.91	94.76 111.02	95.08 111.07	88 61 103.73	98.04 113.83	93.28 108.67
Basis 100; Gove ' for 1963, Gov Fixed interest hi	emment Se	curities hig implation: 1	h since co 13.83 (8/3	mplation: 93), law 5	127 40 (2/	R .	49.18 (3/1	M2
indices"		May 10	May	7	May 6	May	5	May 4
GRt Edged Bary	pales	97.3	111	0	79.1	115.	1	110.9

poll showed a strengthening lead for the Maastricht Yes vote. This undid the damage inflicted on the government bond market on Monday by a weekend poll showing the

■ THE BEARS prevailed again in the Japanese government bond market, pushing the yield on the benchmark No 145 stock due 2002 above 4.5 per cent for the first time since January.

While there were underlying factors - the lapse in the yen's strength against the dollar, the buoyant stock market - the main explanations for yesterday's fall were weak demand

bearish sentiment. One way of looking at it,

according to one economist. was that the 145 had been too expensive throughout the first quarter of this year and had now returned to last year's lev-

The 145 underperformed the June futures contract, which closed in Tokyo at 107.85 after trading between 107.49 and 107.89. in London, however, there was an early sell-off, taking the contract down to 107.38 before it recovered some of the

■ US TREASURY prices fell slightly across the maturity range vesterday morning as the bond market nervously awaited the afternoon auction of \$16bn in three-year notes.

		Couper	Red Date	Price	Charge	Yleid	Week	Mont
AUSTRALIA		0.500	08/03	113.9439	-0.003	7,52	7.73	7.9
EELGUM		0.000	63/03	110.3500	-	7,48	7.49	7.3
CANADA .		7.250	06/03	\$8.0500	-0.150	7.58	7.48	7.5
DENMARK		6.000	05/03	102,0750	-0.525	7.69	7.61	7.9
FRANCE	BTAN	8.500 8.500	05/98 04/03	105.1712 108.8300	-0.988 -0.149	6.74 7.22	6.70 7.16	6.94 7.13
GERMANY		6.75	64/03	98.8250	+0.160	6.77	5.77	6.5
TALY		11.500	03/03	\$5,7200	-0.245	12.63†	12.83	13.3
JAPAN	No 118 No 145	4,800 5,500	06/99	102,0989	-0.196 -0.305	4.36 4.51	4.36	4.3 4.3
NETHERLA	NDS	7,000	02/03	102.3700	+0.190	6.85	6.71	6.5
SPAIN		10.300	06/02	92.7442	-0.049	11.62	11 58	11.9
UK GILTS		7.250 8.000 6.000	03/98 08/03 19/08	100-16 99-14 104-10	-4/32 -5/32 -8/32	7.11 8.08 6.47	7.09 8.06 8.41	5.95 7.65 8.1
US TREASI	RY .	6.250 7.125	02/03	102-20 103-27	+6/32 +12/32	5.89 6.82	5.94 6.86	5.12 8.85
-C11 (F	n Govt)	6,000	D4/03	101.6700	0.070	7.71	7.59	7.50

By midday, the benchmark 30-year government bond was down & at 103%, yielding 6.825 per cent. At the short end of the market, the two-year note was down & at 100%, to yield

With so much new supply coming to the market this week · on top of yesterday's

\$34hn in 10-year notes, 30-year bonds and cash management bills will be offered later in the week · investors and dealers were reluctant to trade actively until they got a clear ldea of the scale of demand.

domestic benchmark rate, 3.791 per cent. which takes account of Bund-Market players were particuesbank minimum reserve larly nervous about the threerequirements, and is rarely year sale, one of the largest of looked at by international three-year sale, an additional

Return of corporate borrowers generally well received By Sara Webb

A SPATE of corporate borrowers hit the Eurobond market yesterday, with Bellsouth Telecommunications' \$500m, five-year issue making the biggest splash. Corporate borrowers have shied away from the Eurobond market in

INTERNATIONAL BONDS

recent months, leaving investors starved of top quality corporate paper, so the deals launched yesterday were generally well-received.

Bellsouth Telecommunications is a triple A rated came which last tapped the Eurobond market in 1988 with a \$120m deal. The five-year bonds have a 5.25 per cent coupon, an issue price of 101.25 and were re-offered at 99.58.

The yield spread over the relevant US Treasury bond was 25 basis points at launch, and tightened slightly to 24 basis points by late afternoon,

according to Morgan Stanley. the lead manager.

The deal went well, belped by the fact that Swiss retail investors and European institutional investors have seen a dearth of high quality US cor-porate paper, while Bellsouth itself is not a frequent name in

The proceeds will be used to repay some short and long-term deht, refinancing the borrowings at more attractive rates. Morgan Stanley said the borrower had achieved much more attractive terms in the Eurohond market than It would have done in the domestic US bond market, claiming Bellsouth saved about 15 basis points on the yield spread. Bell Canada, the biggest

Canadian phone company, also tapped the Eurobond market yesterday, but chose the Canadian dollar sector with a C\$200m, 10-year issue. The borrower's credit rating is AA3/ AA- and the deal was priced to yield 76 basis points over the relevant government bond. Wood Gundy, the lead manager, said the deal saw interest from continental European investors attracted by the relatively high coupon of 8.5 per

In the Eurosterling sector, McDonald's came with a £100m, 10-year bond issue which was initially criticised for being rather aggressively

The fast-food chain is not a frequent horrower in the Eurosterling sector. BZW, the lead manager, said demand was mainly from institutional investors. The bonds were launched with a yield spread of 40 basis points over the 10-year gilt, and by late afternoon had held their spread, trading at a price of 98.85-98.90.

BZW said it looked at a couple of recent Eurosterling issues when pricing the deal, citing a recent issue from Abbey National which is also a AA/AA2 credit and whose bonds were trading at a yield spread of 39-40 basis points over gilts in the secondary

Other deals of interest yes-

	NEW I	NTER	OITAL	NAL B	OND	ISSUES	
Borrower IS DOLLARS	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book
delisauth Telecommunications. Republic of Vanezuelalf	500 150	5.25	99.58A 100A	Jun.1996 May.1996	0.25A 1.20A	+25%(5%%-98	Morge Banke
-MARKS Schi Co.Ф(b)	400	2.75	100	May.1997	2.25	-	Deurs
RENCH FRANCS Sechiney Inter.(a)	iba	7.75	99.588	Jun.2000		+85%(48):=-00)	Crecii

CANADIAN DOLLARS Bell Carada 100.25R Jun.2003 0.375R +7895(7">5;-03)(Vood Gundy MALIAN LIRA 10,625 101,875 Jun.1998 1.875 Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private pigcament, \$With equity warrants, #Semi-annual coupon, R: fixed re-offer proce (ses are shown at the re-offer level, a) Fixed price reoffer is 99.58 until lessue is free to trade, b) Exercise period 14/6/93-20/5/97. Decom. : Dm5000 = 5 warrants.

8.50 96.867R Jun.2003 0.375R +40%(8%-CQ) Berciay's de Zome Wedd

terday included a \$150m, threeyear issue from the Republic of Veneznela. The bonds were launched with a yield spread of 173 basis points over US Treasuries but by late afternoon the spread had tightened to 444 basis points, according to the

STERLING McDonald's Corporatio

joint lead managers. CSFB, the book-runner, said the deal attracted strong inves-

tor interest from a mix of retail and institutional investors interested in the emerging

markets. Venezuela has tapped the Eurobond market before and in the secondary market its 9% per cent bood due 1996 is trading at a yield spread of about 400 basis points over Trea-

A more recent bond issue . \$130m of 91% per cent bonds due 1996 - was targeted at the Colombian market and these bonds are trading at a yield spread of about 450 basis

points Kingdom of Spain added a further FFribn to its recent FFr6bn issue, lead manager CCF said yesterday.

Liffe with Fibor contract

By Tracy Corrigan

THE Deutsche Terminborse (DTB), the Frankfurt-based futures exchange, is preparing to mount a further challenge to the London International Financial Futures and Options Exchange, with the launch of a sbort-term D-Mark interest rate contract. The exchanges already compete for market share in five-year (BOBL) and 10-year (bund) futures, while Liffe also trades a highly-successful Euro D-Mark contract. based on D-Mark Libor.

The DTB yesterday discussed with senior German traders how best to structure such a contract, which is likely to be based on the Frankfurt interbank offered rate. Fibor is the investors. A DTB official said it had not yet been decided whether to go ahead with the contract, and admitted efforts to promote Fibor were needed.

Although there is currently a

sharp focus on German interest rate movements, it is difficult to launch a futures contract without a strong cash market. The German money market received a boost in Feb ruary, when the Bundesbank started offering new money market instruments called Bulis, but is still in the early stages of development.

German institutions that currently use the Euro D-Mark contract would be likely to switch to the DTB since it is owned by German banks, and German institutions bave tended to favour their domestic exchange when possible.

A Fibor contract could be used for hedging Buli positions, and for spread-trading against the Euromark contract. If plans to link the DTB and the Matif, the Paris futures exchange, go ahead, this could encourage spread trading between Fibor and Pibor (the sbort-term French interest rate) futures.

However, it is usually an upbill battle to win market share from an axisting con-

India Fund to convert to open-ended status

By Jane Fuller

THE India Fund, one of the largest country funds, with net assets of more than £240m, is to be converted into an open-ended fund to reduce the substantial discount to net asset value at which the shares have been trading. The fund, created in 1986

traded at a premium to NAV until 1990 but moved to a discount in 1991. A week ago, before the plan was announced, the shares were trading at a 16 per cent discount, or 9 per cent taking withholding tax into account.

Political troubles, the opening of other investment avenues in Indian equities and the perception that the Bombay market was overvalued all contributed to the discount, said

Mr Charles Lillis, of fund managers Merrill Lynch International Capital Markets (Guern-

Subject to approval at an extraordinary general meeting on May 28, shareholders can redeem shares at net asset value less India's 10 per cent capital gains tax and the fund will be free to issue shares.

Since the plan was announced, the share price has risen from 214p on May 5 to 228p, giving a market value of £215m. The price compares with a net asset value of 235p per share after allowing for

indian withholding tax.
The NAV of the fund in local currency terms had risen from Rs48.7 per share at launch to Rs126.48 by April 29 this year. In sterling terms, the rise was from 100p per share to 255p.

MARKET STATISTICS

	FT/IS	AM	INT	ERN	ATI	ONAL BOND SERVICE				
Listed are the latest international bon	ds for which	t there	to are ed	equelo Chg.		dary merket.	Laborat	prices at 7	Chy.	May 11 B
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EXPORT 0EY CORP 9 1/2 98	150	1184	11634	, ie	5.77	BB 10 97 Eco	1125	1001- 1	083 A	7.42
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L1CB FIN 8 07	1000	1044	107% 1051 1061		5.76 6.66 3.66	NEW 6 WALES TREASURY 0 30 AS	125	98 ¹ 2 1 1045 1 118 ³ 2 1	84 14 85 4 187 4	8.98 7.97
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First Dealings Apr. 25 May 14 Last Dealings May 14 Last Declarations Jul. 29 For settlement Aug. 9 3-month call rate indications are shown in Saturday ecitions. Calls in Avia, Aviva Petrim., Berlsford Intil., Clinton Cards, Comac,		RIES FIXED	AVERAGE GROSS REDEMPTION YELD	Underlying Security price. Premiums shown are been	du 2.784
FT-SE ACTUARIES INDICES The FT-SE 100, FT-SE 80d 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. O The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1990. All rights reserved. The FT-Actuaries All-Shars Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. O The Financial Times Limited 1990.	Britist Generalization May Change Me 11	7 Interest 1993 to date A5 1.91 4.09 1.85 5.22 A0 2.35 3.48 76 0.41 8.12	s Measure 5 Coupons 6 (8%-103,%) 7 High 8 Coupons 9 (11%-1 10 Irredeamables/Fist Yield	5 years 7.1(15 years 8.0) 20 years 8.22 5 years 7.36 15 years 8.46 20 years 8.55 5 years 7.55 15 years 8.74 20 years 8.74	7.08 8.25 8.05 9.04 8.25 9.05 8.7.37 9.22 8.46 9.96 8.55 9.06 8.7.91 9.45 8.72 9.21
C The Financial Times Limited 1980. All rights reserved. The FT-SE 100. FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Backets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the institute of Actuaries and the Faculty of Actuaries. "FT-SE" and "Pootsie" are joint trade marks and service marks of the Lendon Stock Exchange and The Financial Times Limited.	B Up to 5 years (3) 182.85 -0.08 782 7 Over 5 years (11) 171.16 -0.20 771 8 All stocks (14) 171.61 -0.18 171 9 Debs & Louis (88) 125.61 +0.06 126	50 0.91 1.72 92 0.83 1.75 53 2.19 4.07	1 Indice-Living indices of the indic	Up to Syrs. 2.77 Over 5 yrs. 3.61 Up to 5 yrs. 1.97 Over 5 yrs. 3.43 5 years 8.66 15 years 8.55 25 years 9.60	2.74 3.81 3.59 4.40 1.94 3.15 3.42 4.22 9.55 10.42

at US arm

Skeddle, president and chief

executive officer, Mr Ed Bry-

ant, executive vice-president

operations, and Mr Darryl Cos-

tin, executive vice president

They were suspended on

Monday after it was discovered that the three "appeared

to fail to follow corporate pro-

Mr Trevor Jones, chairman of LOF's board, is taking charge of the business until

the investigation is com-

Pilkington denied market rumours that the FBI had been called in, saying that no "out-

side agency" was involved in the investigation.

The shares fell 5p to 128p with the market closing before

Pilkington responded to the

Pilkington stressed that the

problem did not involve "a

major financial loss" and said LOF's customers and

operations were not affected.

Pilkington bought LOF in April 1986 and in 1989 sold a

20 per cent stake to Nippon

In the 1991-92 year, LOF contributed £511.5m to group

turnover of £2.6bn, and operat-

ing profits of £10.8m ont of

cedures", Pilkington said.

By Peter John

terday.

technology.

speculation.

and Maggie Urry

conven

status

Holmes &

in the black

By Peter Pearse

to March 31.

Marchant back

Holmes & Marchant, the

marketing services group,

returned to the black at the

pre-tax level in the six months

Profits emerged at £299,000

(losses £715,000) on turnover some £200,000 lower at

216.7m. Operating profits from

continuing businesses rose 27
per cent to £1.22m (£963,000)
after administrative expenses
declined to £5.62m (£6.16m)

Lower interest rates meant a

reduced charge of £451,000

(£511,000) and exceptional items, again relating to reor-

ganisation and empty property costs, fell to £471,000 (£1.05m).

Mr John Holmes, chairman,

said that borrowings had

shrunk by £500,000 to £8.5m

since the year-end and that

there was only "minimal"

blight on the whole sector

since the acquisitive 1980s -

He said that although public

relations and medical market-

ing were still subdued, there

were "positive indications of

increased activity" in design

Int · 3.25

still outstanding.

and sales promotion.

Contra-Cyclic

following rationalisation.

By Richard Lapper

GENERAL ACCIDENT yesterday provided

further evidence of the turnround in the ganeral insurance market with betterthan-expected first quarter figures. The Perth-based composite insurer reported pre-tax profits of £41.9m in the first three months of 1993, compared with a £29m loss in the same period of 1992. The

shares rose 18p to 591p. A fall in worldwide underwriting losses of £54.5m to £80.5m, was underpinned by a strong performance in the UK where GA was boosted by the impact of higher premiums, milder weather and cuts in operat-

UK underwriting losses fell to £4m

(£65m), in splts of a pay-out of £3m after (£4.5m). Life profits amounted to £10.5m flooding in Scotland in January. (£7.8m).

Estimate of net loss from the Bishopsgate bomb increased to £10m

GA has revised its estimate of net losses from the Bishopsgate bomb in April to £10m compared to earlier estimates of 27m. The loss will affect second quarter

Overall premium income rose to £1.02bn (£914.7m) for general business and to £207m (£165.1m) for life business. In the UK the book of household business was expanded with premium income rising to 271m (247.3m), following the acquisition of a block of business from the Cheltenham & Gloucester building society last October. Investment income - after loan interest

First quarter recovery at GA

The company did not intend to follow the example of Commercial Union and Royal Insurance by raising fresh capital through a rights issue in order to take advantage of rising rates, said Mr Nelson Robertson, chief general manager.

Mr Robertson said his company's capital

base was adequate, its solvency margin the yardstick which measures net assets as a percentage of non-life premium income - amounting to 46.1 per cent, compared to 41.5 per cent at the and

GA raised £250m in cumulative prefer ence shares last year.

increased to £115.6m (£102.7m). Losses from estate agency operations fell to £3.7m

New I&S trust seeks £172m

By Philip Coggan, Personal Finance Editor

A NEW investment trust, lvory & Sime ISIS Trust, is hoping to raise up to £172m via the issue of ordinary shares and convert-

ible annuity shares. The trust will Invest in a portfolio of UK equities. However, the income from these equities is being sold to institutional investors in the form of convertible annuity

Thesa will have a negligible repayment value but a high dividend yield. The convertible shares will

be issued in a ratio of 1 to every 10 ordinary shares. Institutions have agreed to underwrite the sale of 10m convertible annuity shares at 147p per share, with a maximum of 15m

The ordinary shares will receive no income but will be entitled to all the assets of the trust. Proceeds from the sale of the convertible annuity shares will result in an uplift in the net asset value of the ordinary

Ivory & Sime estimates the initial net asset value per share at 110p, compared with

Private investors will be offered a low-cost way of selling their ordinary shares in order to use their annual capital gains tax allowance. The aim will be to get a 7 per cent tax-free income

To reduce the risk of the ordinary shares falling to a discount, ISIS will also have a low-cost savings scheme, with holders being offered free warrants every year. The hope is that the demand from the savings scheme will mop up the shares sold by investors who take income.

The offer is open until June

Huntingdon tumbles to £0.98m

By Catherine Milton

PRE-TAX profits at Huntingdon International deferred consideration - a

> Turnovar, helped by a maiden half-year contribution from Travers Morgan, acquired in December 1991, growth in UK operations and currency

(£69.9m). A maintained interim dividend of 0.875p is uncovered by earnings of 0.009p (0.056p). Tha gronp warned last

month that profits would be depressed in the second quarter, citing continuing weakness in the US economy, abnormal weather and the need to rationalise its US-based engineering and environment services

£2.74m pre-tax loss in the second quarter on turnover of £40.9m. For the comparable period last year the group returned profits of £3.73m or turnover of £38.9m.

Operating performance at the US engineering and envi-ronmental services group improved in March, directors

In the UK, turnover at the Life Sciences group rose 7 per cent with new orders so far ahead 16 per cent on last year.

Holdings, the life sciences and engineering services group, fell to £984.000 in the six months to end-March, compared with £6.95m last time.

Earnings were 1p (losses 2p). | fluctuations, rose to £84.5m

Total

for

Corres -ponding dividend

4.5 12.75 10.4765 12.5 Aug 31 0.8 July 8 0.875 July 19 3.25

DIVIDENDS ANNOUNCED

payment

July 18 June 30

Dividends shown pence per share net except where otherwise stated. Firish

rationalisation was behind a £3m exceptional pro-vision which contributed to a

equipment concern, has snccessfully negotiated continued financing facilities with its 10 banks for an initial period to

Talks on securing longer term funding are proceeding but it is thought unlikely

BM banking facilities extended BM Group, the construction there will be an agreement by the end of the period, requiring an extension of the arrange-

> The company is working on a survival plan expected to cost about £42m in redundancies, closures, disposals and

Notice to the holders of

US\$ 500 000 000

CS Holding Finance B.V.

(Incorporated with limited liability in the Netherlands)

4%% Subordinated Convertible Bonds Due 2002 Guarantaed on a Subordinated Basis by, and

Convertible into Bearer Shares of

holding

(Incorporated with limited liability in Switzerland)

The Board of Directors of CS Holding will submit a proposal to the Annual Meeting of Shareholders on 1 June 1993 to conditionally increase the capital by an amount not to exceed Sfr 206,910,000 in par valua to secure shareholders' warrants issued to existing

If the Annual Maeting of Shareholders approvea, holders of bearer shares end registered ahares of CS Holding will receive par 7 Juna 1993.

1 Shareholder Warrant Series IA for each Bearer Share

Shareholder Warrant Series NA for each Registered Share of CS Holding

free of all charges.

The naw aheres, which will be isaued as the shareholders' warrants are exercised, are to be fully paid up in accordance with the terms to be announced for the warrsms on 1 June 1993.

In connection with this year's issue of shareholdars' warrants, CS Holding informs holdars of the subordinated convertible bonda specified above that they may still obtain CS Holding bearer shares which entitle them to receive shareholders' warrants by exerciaing their conversion rights

by 24 May 1993, 4.00 p. m. at the latest.

Holdars of these bonds who choose to exercise their conversion rights must daliver their conversion notice, the bonds and any payments required to the conversion agent (Credit Suisse) designated in the prospectus by the above date.

In conversions carried out from 25 May up to and including 27 May 1993, the holders of the bonds being converted are not entitled to raceive shareholdars' warrants and their holdings are not protected from dilution. No bonda may be converted from 28 May to 17 June 1993 (second date provisional).

Thare will be a reduction in the conversion price, which is presently Sfr 2,270 per bearar share for convarsions which are carried out subsequent to 17 June 1993. It is anticipated that the reduced conversion price will be published in the newspapers deeignated for this purposa on 17 June 1993.

Zurich, 12 May 1993

For CS Holding: **CREDIT SUISSE**

4%% CS Holding Finance B.V. Subordinated Convertible US\$ bonds 1992-2002

536 802 CH0005368029 4048196 XS 004046156-3

Pilkington Tiphook and Itel reject suspends agreed bid for TIP Europe executives

By Angus Foster

TWO shareholders controlling 9 per cent of TIP Europe, the trailer rental company, have said they will not accept the THE PRESIDENT and two top recommended offer for the executives of Libbey-Owenscompany from GE Capital, the financial services arm of Gen-Ford, the US subsidiary of eral Electric of the US.

Pilkington, have been suspended during an internal investigation of "discrepan-The two are Tiphook, which holds 5.5 per cent and is TIP's cies", the glass group said yesmain competitor, and Itel Corporation, a US distribution con-The three are Mr Ron

The companies said GE's offer was "wholly inadequate" and did not reflect TIP's long term earnings potential. The first closing date for the 42p a share cash offer is today. although no details are expec-

ted until tomorrow.

Tiphook's move saamed designed to frustrate GE's plans to build a trailer rental business in Europe, or wrest a higher price for control of

The announcement was described as a "commercial spoiling tactic" by Mr Richard Gillingwater, managing director corporate finance at BZW, adviser to TIP.

"undercurrent of sentiment" from other shareholders that the sale was poorly timed at the offer price. Itel felt TIP's earnings would recover in step with the European economies. The rejection of the offer is likely to give pause to institutions sizing up GE's bid. Insti-tutions are having to weigh the

was at a steep premium to TIP's share price before the bid of 25%p, but well below the share'a trading level in 1990, when they collapsed from 175p as recession hit. TIP also has a large number

their view of GE's offer is diffi Itel said it was reacting to an cult to assess Tiphook is unlikely to make a counter offer for TIP because of monopoly considerations. According to analysts, other bidders are unlikely because of the high gearing involved in

truck rental and because of the depressed market.
TIP shares closed unchanged

options of taking cash now or

waiting for a recovery in TIP's

main markets. The offer price

of individual shareholders;

Unigate postpones public offering of US businesses

By Angus Foster

UNIGATE, the food and distribution group, has postponed the planned public offering of its US restaurant businesses after the two chains involved reported poor sales in March and April.

The company announced last month it was preparing an IPO to dispose of up to 100 per cent of the businesses, which trade as Black-eyed Pea and Taco Bueno. The sale was expected to raise \$220m to \$250m (£145m to £164m), or \$15-\$17 a share.

However, trading was affected by bad weather in March and did not fully recover last month. The March figures were also weak in com-

acquisition, Mr Mackay said

that in case of Gestetner they

had to rely solely on informa-

tion supplied at arms length by

one shareholder, the veodor,

Mr Mackay said: "We would

step at a time. It is the right

thing to do with this company

at our present level of know-

ledge, it shows no lack of confi-

dence, it's just that our know-

Chiltern Capital.

parison to a strong month a year earlier, due to different promotional campaigns.

Goldman Sachs, the company's US adviser, had hoped to price the shares at the top end of the range. However, when the latest trading results became available, the likely offer price is undarstood to have fallan below tha target range and Unigate decided to

pull the issue. The issue would be delayed "at least several months". Unigata would still favour selling the businesses via an IPO although a private sale would not be ruled out.

Unigate's shares fell 12p to 358p. Analysts said the delay was disappointing but not seriously damaging. Unigate had hoped to use the proceeds of the sale to reduce borrowings. Following a number of acquisitions earlier this year, the company is expected to have pro forma gearing of about 60 per cent at its March year end, but

interest cover remains strong. Black-eyed Pea, which offers home-atyle cooking, has 115 outlets in 16 states while Taco Bueno has 111 Mexican fast food rastaurants. In the last financial year, the businesses made operating profits of

Shares in Grand Metropolitan, which owns the Burger King chain, feli 2p to 430p on worries about its US restau-

Price of 129p per share compares with 250p paid by Ricoh in 1991

Inchape deal enhances its reputation

By Andrew Bolger

INCHCAPE'S deal with Gestetner, the office equipment distributor, will anhance the international business service group's reputation for being ready to wait until the price is right.

Inchcape is paying 129p per share for its initial 15.3 per cent stake in Gestetner, compared with the 250p per share which Ricoh, the Japanese photocopler manufacturer, paid in 1991 for a 24 per cent

One of Inchcape's largest recent deals came at the end of 1991, when it bought TKM, the motor dealer, for £382m, reputedly £100m less than its asking price 18 months earlier. Mr Charles Mackay, Inchcape's chief executive, said the

first contacts with Gestetner

came in Hong Kong in August, 1990, but "we were always way apart on price".

Although Mr Mackay believes the present purchase price is "very acceptable", he

said the structure of the deal reflects a decision to proceed cautiously. Unlike TKM, a private com-

pany which allowed Inchcape to "crawl all over it" before the

mins, the strategic director, are joining the Gesteiner

the pressure-selling abuses which has dogged parts of the

photocopier market, Mr O'Donoghue will be keen to ensure that the company takes a conservative line on issues such as non-recourse financing and writing down the value of leased assets.

Mr Basil Sellers, Gestetner's be well advised to take one Australian chairman and chief executive, is a large shareholder in Chiltern. He said the investment in Gestetner had "just been average" since he

> 'We would be well advised to take one step at a time. It is the right thing to do at our present level of knowledge. It shows no lack of confidence, it's just that our knowledge base

ledge base is not there." Mr Rod O'Donoghue, finance director, and Mr Andrew Cum-

Although confident that Gestetner is not associated with

is not there' bought into the former familycontrolled group in 1986. The cash consideration of

£39.7m represents a book loss of £300,000 compared with the current book value of Chiltern's investment in Gestetner. Mr Sellers said: "I would obviously have preferred to

sell out at 250p, as we did to

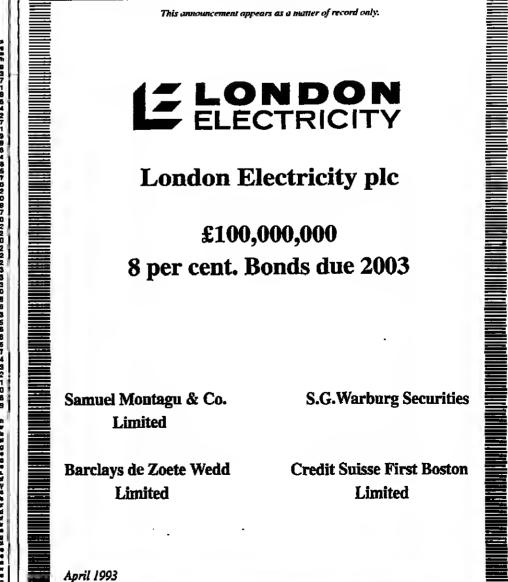
Ricoh, but the time had come to return to my roots, I came here for two years and stayed

The Australian management team is credited with doing a good job in moving Gestetner away from stencil duplicators towards photocopiers, but it also made an ill-judged expansion into the photographic equipment market. In January the planned sale of the group's Vivitar and Hanimex camera distribution businesses fell through, but there is oo doubt entirely on office supplies

Inchcape will treat its 15 per cent stake as a trade invest ment, and would only equityaccount the stake if and when it is lifted to 25 per cent. But Mr Mackay stresses that out-come is by no means predetermined. "We will be entirely pragmatic. We could ssy we don't like the look of this

thing."
Inchcape said that Gestetner operated mainly in office equipment, a large, globally homogenous industry in which the distributor role was well established and could potentially generate good returns as a result of revenue from service and supplies.







Carclo agreed offer values Lee at £55m

By Andrew Bolger

CARCLO Eogineering Group yesteroay made a recom-mended offer for Artbur Lee & Sons, valuing the Sheffield based manufacturer of steel and plastic products at £55m. Leeds based Carclo, which

alreany had a 29.9 per cent stake in Lae, salo it now spoke for 45 per cent of the ordinary sbares, after receiving acceptances from directors and Carclo is offeriog seveo

shares for every nine Lee. In addition, Lee sharebolders will receive a special interim divideod of 4p. Toere is a casb alternative, fully underwritten by Fleming, of 151.7p for each

Separate cash offers will be made of 208p for Lee's A preference and 146p for the B prefer-

Carcle's shares, which bad been suspended at 223p on Mondsy, yesterday closed 18p down at Diop, valuing its old at 163.3p per sbare. Shares in Arthur Lie, which nao been suspended at 142p, closed 16p

higher at 158p. Mr John Ewart, Carcio chairman, said: "; am delighted that a merger between our two new companies has been agreed on terms that we expect in due course will enhance the earnings per share for Carclo share-

"The combined management expertise together with the

Gold Crown in £16m buy-out

Gold Crown Foods, a tea and coffee packer, has been acquired by a management buy-out team backed oy 3i and Henderson Venture Managers. It is the second MBO at the

company in six years. Total funding reised for the buy-out

write-off By Tim Coone in Dublin broader range of businesses will provide sharebolders in the enlarged group with an

financially strong engineering Mr Peter Lee, chairman of Arthur Lee, said: "The terms of the merger give our shareholders good value for their shares. including an opportunity to

enhanced investment in a

participate in the growth of the enlarged group which I believe has excellent prospects." Mr Ewart said considerable benefits would arise from the combination of the two companies' wire and wire rope busi-nesses, and increased buying

Carclo's head office in Leeds, which is coming to the end of its lease, will be combined with Arthur Lee's offices at Shef-

Five Lee directors, two of wnom are non-executive, will join the Carclo board with Mr Lee becoming deputy chair-man, hir Graham Logan Brown, currently Carclo's deput; chief executive, will

The company said that the IAS write-off 'which includes all Crean's loans, investments pecome managing director. Carclo estimated that for the year to March 31, its pre-tax and guarantees" to the company, has been made because "the affairs of IAS have overprofits were not less than £8m shadowed Crean's other busiand earnings per share were at least 13.6p. Lee said that its tionate manner for the past pre-tax profits for the six months to March 31 were not less than £2.1m and earnings

bought by its management in

1987. This second MBO enables

three of the four original

buy-out team and its oackers

Crean increased its stake in IAS from 31 to 38 per cent to 1991. The company said that a ner share at least 4p. Carclo is being advised by recovery in aviation "offers a good prospect of reellsing Flemings, while NM Rothschild is acting for Lee. value from its loan stock in IAS in dne course".

Crean's main profit centres are to food and beverages, in operations in the US and Ireland, and in print and pack-Originally part of Argyll Group, Gold Crown was aging throngh Inisbtech, a 72.7 per cent-owned subsid-

J Crean

after IAS

JAMES CREAN, the Dublin-

based industrial holding com-

pany, suffered a pre-tax loss of 1£15.4m (£15.1m) for the 1992

year reflecting a 1£30.7m total write-off of its investment in

IAS, an aircraft leasing subsid-

iary in which it first invested

Pre-tax profits for 1991

An additional provision of

I£1.6m was made against a

loan for an option to acquire a

bolding in a UK business,

making a total excaptional

It is the second year running

that the group made a write-off provision, a 127.1m charge

Operating profits fell 2 per

cent to IE24.1m on turnover up

8 per cent to I£226.2m. Net

borrowings rose 21.4 per cent

to I£69.7m, representing 76.5 per cent of net assets includ-

ness interests in a dispropor-

having been made in 1991.

amounted to I£11.4m.

charge of I£32.5m.

ing goodwill.

in red

Losses per share amounted to 70.3p. A final dividend of 4.635p is recommended for a total of 12.5p (18.34p).

Unaudited

An improving climate for flotations

THE CLIMATE for flotations has rapidly moved from freezing to a near summer-like warmth as investor interest has revived.

Recent issues have been comfortably over-subscribed and first day dealings have

There is a string of companies lining up for market taking advantage of historically high share prices

Institutional investors are currently keen on smaller companies - most of the recent flotations have given issuers market values of under £100m. Private investors, painfully

aware of falling returns from cash, are turning to equity investment. New issues provide a commission-free way of buying shares, with the hope of a "stagging" profit. However, there are concerns

that the public is being disadvantaged in some issues. Smaller flotations are conducted through institutional placings, with the private investor excluded.

Such has been the recovery in sentiment that the Stock Exchange bas reversed last summer's relaxation of its listing rules on the proportion of shares to be offered publicly.

That move was made when some issues attracted less public demand than expected. Then the Exchange told corporate financiers they could negotiate to cut the proportion to be offered to the public.

According to the listing rules issues raising more than £30m must be by public offer, but up to half can be placed with institutions. A greater proportion can be placed in particularly large issues or, the Yellow Book says, "in other exceptional circumstaoces". Poor retail demanó sppears to come in that category.
In subsequent offers a 75:25

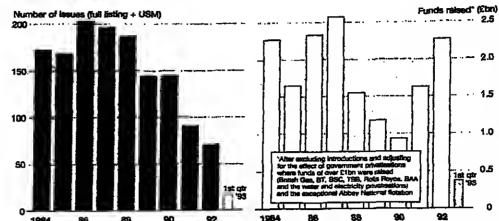
per cent split between firm placing and public offer was normal. But as retail interest in flotations picked up, the Stock Exchange began to edge back towards the written rule.

A turning point was the David Lloyd Leisure flotation in March. That Issue raised £59m with 75 per cent of the shares placed firm.

Audited

A line up for market and a revival of investor interest. Maggie Urry reports





The former tennis star's business attracted applications for over 7 times the number of

Source: KPMG Corporate Pinence

shares on offer. Mr Philip Stephens, of UBS, the stockbroker, says "the success of some issues has pushed us back to the rubric". He acts for both Stagecoach, tha coach operator which floated in April with a 65:35 split, and for OGC International, the contractor specialising in North Sea oil and gas construction, due to float later this month with a

"Retail interest is certainly there and has been developing through the year" says Mr

The Exchange is prepared to give some leeway on the £30m issue size, with a public offer not necessarily required for issues up to £35m.

In March Hambros Insurance Services raised £35m through a placing and financial intermediaries offer.

This willingness to raise the minimum amount where a public offer becomes obligatory suggests the Exchange is finding it harder to justify oemanding a public offer ca a £30m

This minimum has, in any

case, been gradually rising for years and the 50 per cent institutional placing is relatively new. One merchant banker remembers doing an offer for sale for £5m in 1986. Another says: "People forget it is not

£30m were all straight offers for sale to the public" The Exchange is believed to be looking at alternatives to public offers so long as they can be shown to accommodate public demand. It appears sympathetic to the financial inter-

very long ago that issues over

mediaries route. It may gradually edge the minimum upwards, so long as there are no vociferous complaints. However, it is understood to believe that larger offers, and not just privatisa-

tions, do need public offers. The rise of the financial intermediaries offer could thus be part of e trend away from the traditional public offer for sale, with all that they entail in terms of fixing a price and underwriting the issue over the week or so before applications come in and dealings

start in the shares. Privately, sponsors of issues and institutional investors would be happy to have a cosy

arrangement cutting out the private investor. Publicly the ine is often "if retail demand is there, why not tap tt?

Says one corporate financier. "We prefer a firm placing element. It gives you a stable long term institutional investor base. If you offer tha lot to the public yon have to price it a btt lower to make it go and institutions end up buying it back".

The expectation of low price ing and stagging profits were partly behind the huge - and many regard as undesirable oversubscriptions of new issues in the mid-1980s. Some fear it could happen again this

One banker said: "Some recent oversubscriptions are unhealthy. People have no idea what they are buying, they are just stagging. One issue will go wrong, fingers will get burnt and then we'll be back to last summer again".

Some brokers and bankers feel that this could be avoided if there was a further development of a "book-building approach to new issues, with a greatly truncated period between pricing an issue and dealings starting

In the US most of an issue is

a "red herring" prospectus which contains a price range. Pricing is done one evening, on the basis of demand found among investors, and the issue is usually declared "all sold" tha following morning.
To some extent the UK prac-

tice is moving that way. Path-finder prospectuses, introduced with the first British Telecommunications sale in 1984, do not include a price range. But they do provide the basis for informal book-building with

institutions. "Pricing is very much driven 🎾 by institutional demand even if balf is going to the public," says one broker. The intermediariea offer

could tie into a book building approach, thus accommodating private investor demand while removing the risks inherent in an offer for sale.

But such an offer excludes investors who do not have a stockbroker and prefer to apply for issues "off the page". And it means extra commissions for either the company or the investor to pay to the inter

Companies such as Share-link, tha private client dealing service, and the New Issue Register, have launched new issue schemes for private investors. Sharelink offers an application and dealing service under which it applies for the shares on behalf of investors and can then sell them on the first day of dealing, or later, or transfer them to a personal equity plan. NIR hopes to offer sponsors of issues a list of investors prepared to buy into new issues.

If such schemes are plugged into the financial intermediaries offers or even the institutional placing, then an issue could be fully placed - including a placing with retail investors - in advance of pricing. It would cut out the need for a period when investors fill in and post applications.

Should the Stock Exchange go along with such notions, the days of beady oversubscriptions, quenes of applicants at banks' doors and frantic first day dealings, at least in

RAND MINES LIMITED

Following the restructuring of Rand Mines Limited. more than 95% of consolidated earnings are attributable to the company's 76.8% shareholding in Randcoal Limited

Extracts from the unaudited consolidated results of Rand Mines Limited for the six months ended 31 March 1993

	Six mo	onths ended		Year ended
	31 March 1993	31 March 1992 Restated	30 Change	0 Septambe 199: Restate
	Rm	Rm	%	Rn
Turnover	7 91. 3	766.1	3	1 620.9
Profit before taxation	94 .8	103.1	(8)	221.5
Attributable to shareholders in				
Rand Mines Limited ^e	67.9	76.0	(11)	157.2
Extraordinary income/(charges) attributable to shareholders not				
included above*				(8.8)
Earnings per share (cents)*	455	510	(11)	1 054
Ordinary dividends per share (cents)	100	100	-	315
Dividend cover (times)	4.5	5.1	(11)	3.3
	Unzadited 31 Merch 1993	Audited 30 September 1992 Restated	-	
Total assets (Rm)	2 50 8.3	2 493.5		
Net asset value per share (cents)	3 431	3 193		
Fotal lìabilities to equity (%)	206	227		
Debt to equity (%)	149	159		
Current ratio	1.0	1.0		
interest cover (times)	2.1	· 2.2		

ct from 1 October 1992, the actual results for 1992 are not comparable with those achiaved in the period under review. A restated balance sheet and income statement have been prepared reflecting the 1992 results as if the restructuring had occurred on 1 October 1991.

- The prolonged global recession has continued to depress both demand for and prices of coal at home and overseas.
- Demand from Eskom continued to grow but a water shortage in one area restricted growth to just 2%.
- Operating profit was R84.8 million.
- The interest bill decreased by R22 million due to lower borrowings and interest rates.
- Dividend maintained.



Micro Focus and IBM relationship

Micro Focus snares yesterday advanced to £24.28p before settling back to close 58p higher news that the company and IBM Programming Systems of California had expanded their long term relationship in mainframe operating software.

Micro Focus is licensing technology from IBM and will market it with a new version of one of its existing products in the MVS (IBM's flagship operating system) area, expected to be ready in September.

Fleming Claverhouse raising up to £110m in conversion issue

By Philip Coggan,

FLEMING Claverhouse is raising up to £100m vla an offer of conversion shares. The investment trust is only expecting to receive between £25m and £35m but has set a

high maximum so that applications do not have to be scaled

The shares have been trading at a premium to net asset value - 5.3 per cent at the start

e new snares may nate the premium. The directors believe that

the potential for economic recovery in the UK provides attractive opportunities for investment and it is an appropriate time to expand the capital base.

The trust is the top performer in its sector over both three and 10 years, with growth of 579.7 per cent (mid-

of dealing yesterday - a sign market to mid-market with net that demand exceeds supply. income reinvested) over 10 years. It is attractive to privat investors, who now own nearly 65 per cent of the equity.

The shares, issued at 100p each, will be converted into ordinary shares once the proceeds of the offer are invested. This is designed to ensure that existing shares do not suffer any diintion in net asset value. and is now a common structure for investment trust share offerings.

NEWS DIGEST

McLaughlin & Harvey £6.8m in loss

LOSSES AT McLaughlin & Harvey, the County Antrimbased construction group, widened from £5.4m to £6.8m pretax for the year to end-December. Turnover fell £35m to

The deficit took account of a reduction in both interest charges to £1.09m (£1.71m) and exceptional provisions to £3.34m (£4.13m).

The group's principal objective for 1992 was to cut borrowings. At yaar end these amounted to £6.7m (£11.2m). The reduction was partly achieved at the expense of profitability, particularly in the housing division where prices were reduced to secure sales and reduce exposure in this sector.

Additionally, the sale of the Mallusk Park investment prop-erty made a significant contri-

The Northern Ireland activities continued to trade profitabiy. Howevar, it was again sary to make provisions against work in progress on a number of projects in the south-east of England and seek settlements on projects which had been unresolved.

The bousing division suffered from a general loss of confidence in the sector. Full provisions for restructuring and rationalisation in special-ist subsidiaries and the decline in residential property values were made.

Royal Scottish **Assurance improves**

Profits of Royal Scottish Assurance, the joint venture company owned by The Royal Bank of Scotland and Scottish Equitable, totalled £6.3m for the six months to end-March.

Soma 13,000 new policles were completed during the period, the company said, with

new annual premium business The company said it bad rising by 19 per cent to £7m and single premium business almost doubling to 257m.

GWR reduces deficit to \$2.03m

Great Western Resources, the US-based oil, gas and coal company which almost collapsed last year following litigation with its largest customer. showed aignificant improvement over the six months to end March, when pre-tax loss were reduced from \$13.6m to

\$2.03m (£1.3m). Total revenues of the USM-quoted group improved from \$34.7m to \$59.1m, the bulk of which was derived from the coal operations, which contribnted \$45.5m against \$18.5m last

The dispute with the South Carolina Public Service Authority has now been settled, and the net loss for the period, after a tax credit of \$518,000 (\$610,000), was \$1.51m (\$13m). Losses per share came out at 2 cents (15 cents).

signed a new credit agreement with Citibank, which permitted a \$34m capital programme for the year. Of this, \$16.9m was spent in the period.

Gartmore European net assets at 115p

Gartmore European Investment Trust had a net asset value of 115p per share as at March 31, up from 99.4p at the trust's September year-end. The net deficit for the six

months to end-March was £77,000, against revenue of £16,000. Losaes per share worked through at 0.38p (earnings of 0.09p). Directors expect a positive return for the full

Net assets ahead at Contra-Cyclical

The net asset value per capital share of Contra-Cyclical Investment Trust was 43.7p at the March 31 year-end, up from 34.7p for the previous period from February 26 1991 - the date of incorporation - to end-March 1992. Values for income shares

and zero dividend preference shares rose from 3.7p to 4.9p and from 55.8p to 62.3p respec-Attributable revenue was static at £1.1m, for earnings of

13.92p (13.94p) per income

share. A recommended final dividend of 6p brings the total for the year to 12.75p (11.25p). Glasgow Income net

asset value up 21% Glasgow fncome Trust

reported a net asset value of 43.46p as at March 31, up 21 per cent on the 36.05p at the trust's year-end in September.

The total return on net assets over the interim period was 24.7 per cent, against a return of 19.3 per cent on the FT-A All-Share Index.

Net revenue amounted to £362,000 (£393,000) for earnings of 1.23p (1.33p). A second interim dividend of 0.6p maintains the total to date at 1.2p.

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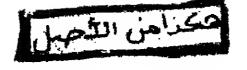
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COMPANY NEWS: UK

Pubs acquisition gives first half lift to Vaux

By Philip Rawstorne

VAUX GROUP'S acquisition of 265 pubs last year helped boost the Sunderland-based brewer's first half trading profit by 10.7 per cent to £17.3m.
The pre-tax line was dis-

torted by the switch to FRS 3 with headline figures showing a 32 per cent decline. However, excluding property disposals and exceptional profit from the sale last year of the Blayney's off licence chain, pre-tax profits for the 24 weeks to March 20 advanced 4.9 per cent, from £9.21m to £9.66m, m line with market expecta-

Earnings per share, on the same basis, rose 6.7 per cent to 5.42p. The interim dividend is held at 3.25p.

Sir Paul Nicholson, chairman, said: "This has been a far from easy period in which to make progress...hut there have been some bright spots which give hopeful signs for the future."

The breweries and enlarged tenanted pub estate lifted profits 15 per cent from £7.31m to £8.43m. Total beer sales fell 1.4 per cent. Draught volumes, however, rose 8.4 per cent, with Samson, the leading brand, ahead 13.2 per cent,

Cask beer volumes were nearly 25 per cent higher but sales of low margin packaged beer fell 20 per cent. Sales of wines, spirits and soft drinks all

Vaux Inns, taking in the 127 managed pubs, raised profits

'If the recession is over, we can expect a recovery in hotel profits, which has been the biggest problem faced by the group in this

from £2.16m to £2.35m with income from amusement machines heginning to

recession.

Profits from the St Andrew's nursing homes business were 19 per cent higher at £1.99m. Occupancy was close to 92 per cent - more than two percentage points above the same period last year. The group bought a 50-bed home in Co Durham last week and has two further homes under develop-ment in Glasgow and Sheffield. Swallow Hotels increased

profits 8.7 per cent to £5.3m Occupancy improved 3.4 per-centage points to 56.4 per cent but achieved room rates declined 6 per cent. "Forward bookings look rather healthier than at this time last year." Sir Paul said.

can expect a recovery in hotel profits, which has been the biggest problem faced by the group in this recession." The pubs acquisition programme raised net debt from £94.6m to £125.2m, representing

30 per cent of shareholders' funds.

"If the recession is over, we

O COMMENT

Signs of recovery are still weak in Vaux's northern trading area. On the beer side, market share gains are tempered by an overall decline in its beer volumes, down 2.8 per cent on a like-for-like basis, and continuing margin pressure. Puh income from food sales and amnsement machines is improving, hut slowly. Hotel occupancies and forward bookings are rising but customers are haggling over room rates. On full year profit forecasts of £25.5m and a p/e of 17, the shares look expensive despite a prospective yield of 4.8 per

Improving trend at United Newspapers

By Raymond Snoddy

LORD STEVENS of Lndgate, chairman of United Newspapers, told yesterday's annual meeting that profits in the first half of this year should he np on last year's comparable

He added: "We hope that this improvement will be maintained throughout the year. Further improvement can be expected from any upturn in the economy.'

Lord Stevens warned, however, that the group's markets showed little sign of any sig-nificant pickup in the econ-omy – United publishes the Daily and Sunday Express and the Daily Star.

He said Express Newspapers

had made a good start to the year and had benefited from higher advertising volumes and revenues, whila costs had been held at last year's levels. The regional newspaper divi-sion, however, had yet to benefit from any sustained increase in classified advertising.

 Mr George Bull has been appointed a non-executive director of United following the retirement of Sir Derek

Avon Rubber calls for £22.5m

By Richard Gourlay

AVON RUBBER, the tyre and motor components company, yesterday reported a 22 per cent increase in interim profits and announced a cash call to raise £22.5m for capital invest-

The 1-for-4 rights issue at 440p will form part of a £40m investment programme over the next two years in its auto components, tyre and technical products divisions. The share price fell 31p to

Mr Tony Mitchard, chief executive, said he hoped the rights issue would not dilute earnings in 1994, the first full

Gearing after the rights issue

end of this year. Without the rights it would have risen to 55 per cent, compared with 50 per cent at the last year end. in the six months to April 3,

pre-tax profits rose from £4.1m

to £5.01m on sales up 16 per cent at £133.4m (£115.3m). Earnings per share rose 40 per cent to 15.5p (11.1p); the interim dividend is maintained

at 5p. Automotive components was hit by weak sales in Germany and by manufacturers selling from stock. Operating profit fell from £2.1m to £1.62m in spite of sales up 21 per cent at £48.6m (£40.1m).

The technical products division, which makes golf grips, gaskets, saw profits increase from £2.17m to £3m on sales up 22 per cent at £37m (£30.6m).

Tyre profits rose sharply to £2.8m (£1.64m) on sales up 9 per cent at £41m (£37.6m) as the division benefited from overhead cost

It will not have escaped investors' attention that they last paid 500p four years ago to fund part of the Cadillac Rubber and Plastics acquisition and are only just seeing a return. This time the call is to fund the recovery, gearing being too high and the investment needs apparently too

Almost certainly the rights will dilute earnings in the first full year unless the company can lay down the investments extremely quickly. Earnings are therefore likely to rise to only 38.1p in 1994, against a previously forecast 42p. The shares are therefore in for a dull time until the company proves it can produce the organic growth its ambitious expansion is anticipating. Not least, investors will want to see how far German auto makers will shift allegiance from traditional, and expensive, local component suppliers to the likes of Avon, the price advan

pressing to allow investment

from Avon's own resources

C&W considers Philippines venture

By Andrew Adonis

CABLE AND Wireless, the telecommunications group, is considering a \$3bn (£2bn) joint venture which could give it a prime role in the development of the telephone system in the Philippines.

The venture would be the latest in a succession of moves by C&W to establish Itself as the leading international telecoms operator in the Asia

It already has stakes in two network operators in the Philippines. Other investments in the region include a majority stake in Hong Kong Telecom and a 24.5 per cent share in Optus, the main domestic com-petitor to Telstra (formerly AOTC) in Australia.

The other partners are Australia's Telstra International and Beopres of the Philippines. C&W stressed that at present the partners have agreed only to carry out "feasibility studies" into the possibility of and Telstra, another 40 per establishing a new company to expand and modernise the telephone network.

Analysts believe prospects for the new company would be bright: with fewer than 1.5 fixed lines per hundred people, the Philippines has one of the lowest levels of line penetration in the region and its government is anxious to extend and update the system.

About 40 per cent of the venture will be owned by C&W

by smaller investors. Mr Andrew Harrington, regional telecoms analyst at said the joint venture was "typical of the growing trend for governments in the region to seek expertise and investcompanies to help with their network development. It reinforces C&W's pre-eminent role

cent by Benpres, and the rest

Alco Standard bids £67m for Erskine

By Paul Taylor

ALCO STANDARD, the acquisitive US paper and office products distribution group, yesterday made a £67.4m recom-mended cash offer for Erskine House, the Kent-based office

equipment service company. Under the terms of the proposed deal Alco will pay 90p a share for each Erskine ordinary share and 100p a share for the preference stock.

In addition, provided the deal goes ahead, Erskine will pay shareholders a second interim dividend of 2.5p. Erskine, with operations in

the US, UK and Germany, has

been hard hit by the decline in machine sales in the UK which fell 24 per cent in the six months to September 30. First half pre-tax profits fell

29 per cent to £4.7m and the company warned in March that it would not be paying a full The shares, which had been trading just above a 10 year low of 30p in recent weeks, jumped 54p to 89p yesterday after Alco bought 10m shares in the market, equivalent to a 21.7 per cent stake, at the 92½p

offer price - including the second interim dividend. Mr Ray Mundt, chairman and chief executive of Alco, which is quoted on the New York Stock Exchange and reported operating income of \$225.7m (£146.5m) on turnover of \$4.93bn last year, said the proposed acquisition repre-sented "the next logical step"

US \$100,000.000 Continental Cablevision, Inc. Senior Subordinated Floating Rate Debentures due 2004

In accordance with the provisions of the Debentures, notice is hereby given that for the interest period May 12, 1993 to August 12, 1993 the Debentures will carry an interest rate of 6%4 per annum. Interest payable on the relevant interest payment date August 12, 1993 will amount to US \$1.581.25 per US \$100,000

in the group's global strategy.

Mr Brian McGillivray Erskine's chairman and chief executive, said the offer was "good deal" for shareholders, employees, customers and suppliers, although he acknowleded that he would have prefered to keep the company independent.

If the deal goes ahead he is not expected to stay with the group although any parting would be amicable.

Alco's office products division already operates the largnetwork in North America with annual revenues of \$1.5bn and has targeted Europe for further expansion.

Mr Mundt said Alco identified Erskine as a possible acquisition target "some time ago." but only began negotia-tions on Friday night. The negotiations were completed

Erskine House is the leading office equipment distributor in the UK with a 6-7 per cent market share although more than half its 1992 turnover and pre tax profits came from its US operations.

Erskine's US operations are strongest in New York, Hous-ton and Los Angeles and will strengthen Alco's existing US business, according to Mr John Stuart who runs Alco's office

products operations. Both companies supply and service the same office equipment from Canon, Ricoh, Sharp and Minolta.

GREENACRE GROUP has acquired the assets and husiness of Donnington Nursing Home in Newbury from Bright Walton Homes for

VARDON: the 2-for-5 open offer at 72p per share received applications in respect of 15.6m shares or 78 per cent of issue. Remaining 44m shares taken up in accordance with placing

£1.27m cash.

The sale of come is a concil or complete a sight the requirements of Fla. International Scool Flacking of the I stand According to the problem of the least I stand According to Apple at the sale of the According to Apple at the sale of the According to the Acco

DIVISION GROUP PLC

PLACING

of 15,401,972 Ordinary Shares of 5p each at 40p per share payable in full on application.

HENRY COOKE CORPORATE FINANCE LTD Issued fifth pant or

2200000

credited a tally paid 11,688,708

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12 May 1995

General Accident

ENCOURAGING FIRST QUARTER

3-MONTHS' RESULTS 3 Months 3 Months to 31.3.92 to 31.3.93 Estimated Estimated 914.7 1,019.8 **General Premiums** 165.1 207.0 Life Premiums 102.7 115.6 **Net Investment Income** (135.0)(80.5)**Underwriting Loss** (29.0)41.9 Profit/Loss before Taxation (23.3)31.7 Profit/Loss attributable to Shareholders (5.4p)6.2p Earnings per Ordinary Share

- Pre-tax profit of £41.9m represents an improvement
- Substantial improvement in the UK across all major
- Encouraging results from the United States.
- Satisfactory performance in Canada.
- Excellent results throughout the Pacific.
- Further good progress in Life operations.
- Net investment income up 9.3%.
- Current solvency margin 46.1%.

Nelson Robertson, Chief Executive, commented: "We have made a strong start to 1993 and we expect this positive trend to continue."

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

THE TEAM of New York Mercantile Exchenge traders negotiating the energy exchange's take over of the New York Commodity Exchange (Comex) is prepared to double its bid to \$20m and make concessions on trading rights in an effort to bring the deal to closure.

Still. Comex members say the offer is not sufficient, and many are losing interest in the

Both sides are keenly aware of the time and effort lost in failed merger negotiations between the Comex and the Chicago Board of Trade, "We would like to settle this, either way, as soon as possible," said a Comex official. The exchange's board of directors has a regularly scheduled meeting tomorrow and will discuss the Nymex proposal formally for the first time.

Nymex's first offer for the Comex, the world's largest precious metals exchange, was for 310m in cash. Comex members immediately said the amount was inedequate, considering Comex holds \$13m in cash. The oew offer, which has yet to be approved by the Nymex board, is said to be \$20m. That is still far iess than the \$60m Comex members claim as the "hook" value of the exchange.

Now, with the gold market the husiest its been since 1991,

CIS aluminium agency makes contact with EC

By Kenneth Gooding

INTERCOMALUM, THE organisation set up last month to promote and defend the aluminium industry of the Commonwealth of Independent States, bas made its first contact with the European Commission. The commission is heing

urged by European producers to impose draconian quotas on CIS aluminium imports and is inquiring into the complaints under rules that allow measures to "safeguard" European Community industries.

Mr Elliott Spitz, a vice chairman of intercomalum and also a director of AIOC Corporation, the New York-based trading company, said it was The Comex board accepted a

take-over offer from the Chicago Board of Trade last January in an effort to find a financial backer and cut overheads after several years of sluggish precious metals futures and options volume. Nymex stepped in on April 27, e week after that deal failed.

Comex members are heginning to question the need for a merger. Comex gold futures volume jumped to 826,585 con-tracts in April, from 492,857 last year. Gold volume, and record April turnover in high-grade copper, sent overall Comex volume to 1.67m contracts last month, compared to 1.05m the same month last

believed this was the first time that there had been contact hetween the CIS aluminium

industry and the Brusselshased commission. It was LARE WAREHOUSE STOCKS (As at Manday's close)

+8,125 to 1,791,325 +3,175 to 403,475 -275 to 251,025 +474 to 61,980 -3,425 to 644,775 +80 to 20,475 hoped that there would be regular discussions between them from now on.

A commission official confirmed that lawyers representing Intercomalum had made contact with its delegation in Moscow. "It is up to them to take the next steps," he added. | market.

warned over feared nickel squeeze

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange executive yesterday added its voice to warnings from traders and analysts about a potential squeeze in its nickel market at the end of this year hy annuuncing it was "closely monitoring" the situatinn.

Tradere sald the LME's action had an immediate effect and that the hackwardatinn (premium for immediate delivery) hetween November and December, which has been as wide as \$100 a tonne in recent weeks, narrowed to \$15.

Mr William Adams, analyst at Rudolf Wniff, part of the Norande natural resources group, said the putential optings-related squeeze wae having some near-term impact by underpinning the price of nickel for delivery in three munths because "penple are wary about being short". He said the build np of

nptinn positinns suggested that some traders were confident of significantly firmer nickei prices towards the year-end. "But it is difficult to get too hullish with LME ulckel stocks at a record 91,980 tonnes. We will need to see thuse stucks being drawn down before we know that the merket fundamentais are

really changing."
Mr Angus MacMillan, research manager et Billitnn-Enthoven Metals, part of the Royal Dutch/Shell group, said thet the groundwork for e potential squeeze had been in place for some time and "the LME was prohably right to sound the alarm bells sooner rather than later".

The exchenge's announcement might not have detered those hehind the potentiel squeeze, "but the rest of the market started to behave in the way the LME would wish", For most of last yeer the LME zinc market was gripped by a squeeze and the executive was forced to intervene. In 1991 it took similar action to restore order in the copper

LME traders | Chinese bank's gold trade monopoly under threat

By Tony Walker in Beijing

THE PEOPLE'S Bank, China's gold-purchasing agency, is fac-ing increasing challenges to its gold trade monopoly et a time of rapidly rising demand for the precious metal among Chinese consumers

The establishment of a flourishing gold market in northern Lleoning province near the Soviet border almost certainly poses the most severe threat in years to the People'e Bank's domination of the gold

"Some stores trade gold bars, not just gold jewellery. See that's serious. Of course, we're worried there will he more such markets," said a People's Bank official this week. In an official statement the

People's Bank, the country's central hank, has accused those responsible for the Liaoning market of spreading disorder in the gold jewellery market. It charged that gold merchants had "harassed" the state purchase plan.

Under present rules, the bank is empowered to acquire all gold produced in China et ahout Yuan50 (US\$8.70) e gram, two-thirds of the world price. Miners hlame the depressed purchase price for lagging production, which reached about 110 tonnes last year, compared with demand

of 250 tonnes. The China Daily eaid this week that the authorities were considering sweeping reforms, including price-reform, in the gold sector to hoost production. The paper reported that gold production had declined in the first quarter this year. although it also observed that some miners may be withholding production from the state for sale on the booming local market

Under China's present five-year plan (1991-1995) US\$1.3hn of investment in gold mines is proposed with the aim of increasing production by 40 per cent hy 1996. At present rates of production growth it seems unlikely China that will reach that target

News of the Liaoning gold market and reports that Bei-jing is considering eeriously the establishment of a Gold Exchange coincide with reports that China has emerged as the world's largest

According to Gold Fields Mineral Services in its annual report "Gold 1993" Chinese passion for gold jewellery, a desire hy Chinese to hedge against e depreciating currency and heavy gold purchases by the People's Bank contributed to

the gold huying spree.

The report said that the Chinese central bank might have purchased a substantial portion of the 400 tonnes of gold sold by the Netherlands central bank last year. China has not published gold reserve figures since 1981.

The People's Bank official described the Liaoning market as "a very sensitive problem". adding that the State Council, or Cahinet, had not resolved what to do about the unauthorised gold dealing, which appears to have been sanctioned by local officials, but not necessarily by the provincial government.

Chinese officials have recently indicated an interest in involving foreign mining companies in the exploration and exploitation of China's gold deposits, hut this would require amendments to regulations that expressly forbid such foreign involvement.

China has devoted much of lts minerals exploration and development hudget to the search for gold in the past two decades with limited success. Estimates of in-ground gold reserves stand at ebout 3,000 tonnes and were being added to at the rate of about 10 per cent annually.

Tropical timber 'bashers' attacked

By Geoffrey Pleydell in Kuala Lumpur

MR LIM Kem Yaik, Malaysia's minister of primary industries, vesterday attacked importing countries for "bashing" tropical timber exporting countries for their own ends. He said that those who criticised tropical countries should show goodwill and patience. Speaking at the opening here

of the 12th meeting of International Tropical Timber Organisation, Mr Lim called for an end to unilateral decisions to boycott the purchase of troplcal wood hy national governments and individual organisations. He cited the plight of Sarawak, Malaysia, where declsions to reduce tropical logging by 1.5m cubic metres in 1992 and similar amount in 1993 in response to ITTO recommendations had meant the loss of

tonnes this year from 1.25m

tonnes in 1992, a government

advisory group said, Renter

The Centre for Economic

Research and Forecasting, in a

26,000 jobs and US\$50m. Producer and consumer country members of the ITTO are divided over the future role of the organisation. Mr Lim restated his views that trade in timber from temperate forests should he considered alongside tropical interests. He said he wanted to see the present renegotiation of the International

Tropical Timber Agreement

expanded to include all world

With less than 10 per cent of world international trade being in tropical wood and the rest of temperate origin, the minister said that the new agreement, scheduled to be in place hy March 1994, should widen its

But tropical timber importing countries do not agree. Mr Menzo Baratini, spokesman for the European Community, pointed out that the ITTO

Russia seen importing less white sugar

2.5m tonnes in 1993, unchanged

The study said the figure

included output using raw

sugar imports, which it said totalled 2.6m tonnes in 1992.

from the previous year.

RUSSIAN WHITE sugar study on the economy, put imports will fall to 950,000 refined sugar production at

WORLD COMMODITIES PRICES

1121.5-2.5 1144-5

1129-30 1148-9

LONDON METAL EXCHANGE

minium, 99.7% purity is per tonnel

1131.5-2.5 1154-4.5

Copper, Grade A (E per torms)

1154-5 1171-2

Leud (C per tonna

was set up specifically for tropical timber and had developed principles and strategies aimed at ensuring sustainable man-agement of tropical forests hy the year 2000. The system of annual national reporting on progress toward sustainable management of productive tropical forests should be standardised, he said, adding that ITTO's real objectives should he in the field of trade.

The ITTO meeting takes place against a background of steeply rising prices for tropical timoer from Asia Pacific sources. Sawn wood and plywood prices have leapt 40 per cent over recent months as log production and export in the Sabah and Sarawak States of Malaysia have fallen in response to moves to conserve forest resources in terms of

The centre, which draws on

various official sources for its

oata, gave no figure for 1993

Russia's state sugar purchas-

ing company has said it

expects to import up to 2m

tonnes of raw sugar in 1993.

raw sugar imports.

requirements

Cash shortage limits jute council projects

By Kunal Bose in Calcutta

THE INTERNATIONAL Jute Council, hamstrung hy e lack of funds, could launch only two projects et its recent meeting in Dhaka. These were for the promotion of jute goods in Japan and the use of enzyme and microbiological process for upgrading low grade jute and jute cuttings.

According to a study hy the United Nations Food and Agriculture Organisation, the consumption of jute goods in Jepan, considered the most lucrative market for the fibre, has been declining by more than 4 per cent a year since 1973. The shrinkage in the demand for rice bags and carpet-backing cloth in Japan has hit in almost equal measure India, Bangladesh, Thailand and China. There has, however, been a marginal increase in the demand for jute yarn in

The jute council shares the view of exporting countries that the demand for jute goods In environment-conscious Japan could be given a boost through effective market pro-motion measures. Japan itself

has agreed to underwrite the greater part of the market development expenditure.

The enzyme project holds great promise for all jute producing countries, es inferinr quality jute constitutes nearly 30 per cent of total fibre production. It has been established on a pilot scale at two jute mills in Bangladesh that enzymic treatment leads to a significant improvement in fibre quality.

The project is to be financed by Canadian and French lines of credit.

Concern has been expressed at the council, however, about the poor funding prospects for projects that have already been appraised by its committee on projects. Among the more important projects crying out for funding are those concerning the development of jutebased packaging, diversified uses for jute blended fabrics, an improved spinning process, the introduction of high speed rapler looms, and the promotion of jute goods in the US, Australia and New Zealand. Work on some existing projects has also slowed down considerably for want of funds.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per in warehouse, 14.60 15.15 (same). tonne, in warehouse, 1,635-1,690

BISMUTH: European free market, min. 99.99 per cent. \$ per ih, tonne lots in warehouse, 2.30-2.40 (same).

CADMIUM: European free market, mln. 99.5 per cent. \$ per ib, in warehouse, 0.35-0.45

market, 99.5 per cent, \$ per lb, (same).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lh flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in ware-

(same).

COBALT: European free market, min 99.5 per cent, \$ per in warehouse. 4.70-5.40 lh, in warehouse, 4.70-5.40

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 28-41 (same). VANADIUM: European free market, min. 98 per cent, \$ a lb

UK's S Atlantic fishing licence move will anger Argentina By John Barham

in Buenos Alres

reports from Moscow.

BRITAIN PLANS to introduce a fish licensing regime for the South Georgia and South Sandwich Islands in the South Atlantic similar to the scheme operated in the Falkland

Islands since 1987. Last week the UK government announced that it would

miles to halt over-fishing. Brit- South Sandwich islands as well ish officials said yesterday that new fishing regulations were being drafted similar to those already being enforced around

the Falklands. Argentina reacted angrily to Britain's decision to extend territorial waters and will be doubly displeased by a unilateral move to charge vessels for the right to fish there. Argentina claims sover-

1156/1150

1149.5/1149 1172/1184

as the Falklands.

In statements issued over the said the new 200-mile limits would indirectly grant Argentina a role in fishing policy because both island groups feli within the ambit of the 22-nation Commission on Conservation of Antarctic Marine Living Resources, of which both Argentina and Britain were

Open Interest

161,331 lota

20,155 lots

48.265 late

9,137 lots

382.7 381.0 380.0

High/Low

0 430.0 433.0 436.5 0 440.5 442.5 445.0

379.0 377.8 378.5

0 425.0 427.5 432.5 0 437.5 439.0 445.0

20.31 20.50 20.62 20.68 20.72 20.69 20.70 20.85 20.66

(Prices supplied by Amalgamated Metal Trading)

1151,5-2

1128-9 1151.5-2.0

1149-9,5 1167-7.5

missed that suggestion, however, insisting that they would not accept any Argentine role weekend, Argentine officials that implied recognition of its

For the moment, the British announcement is only a for-mality as London lacks fishery patrol ships to enforce the extended limits. However, officials said it was considered important to announce it before the next fishing season members. British officials dis-

HEATING OB. 42,000 US galls, cents/US galle

Britain and Argentina are to hold talks on a new fisheries regime in waters around the Falklands. No date has been set, but discussions are expected to begin in May or June.

Argentina last year introduced a licensing scheme for ships operating in its waters that is similar to the Falklands' regime and it has managed to poach most of the islands' hest customers by offering cut-price licences.

High/Low

Chicago

SOYABEANS 5,000 bu min: cents/60lb bushel

V₂O₃, cif, 1.40-1.50 (1.45-1.55). URANIUM: Nuexco exchange value, \$ per lb, U₃O₄, 7.10 (7.45). extend the 12-mile limit around house, 2.20-2.25 (same). the two island groups to 200 eignty over the Georgias and

High/Lo

COCOA - London FOX

Ciose

MARKET REPORT

Three-month COPPER ended firmer, but closed below its highs on the LME after faltering near \$1,800 a tonne. Deelers said the rally represented a much-needed technical correction after recent heevy declines. But whether the market could extend the recovery much further was doubtful, as fundamentals remained poor, and stocks continued to rise I ME warehouse stocks are at e fresh nine-year high of 403,475 tonnes. in very narrow trading ranges on the London hullion market as GOLD paused for breath and the others lacked any fresh

London Markets

Crude oil (per barrel FOB)(M	ay)	+ or
Dubei	\$16.38-6.394	+.025
Brent Blend (dated)	618.84-6.87	135
Brent Blend (Jun)	\$19.09-9.12	085
W.T.I 1 pm est)	\$20.38-0.41	105
Oil products (NWE prompt delivery per to	onne CIF	+ or -
Premium Gasoline	\$216-217	+1
Gas Oil	\$161-193	-1
Heavy Fuel Off	576-77	
Naphtha	\$1 86-15 8	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)÷	\$356.45	-0.30
Silver (per troy oz)-	427.5c	
Platinum (per troy oz)	\$378.75	-1.85
Palladium (per troy oz)	\$118.25	-0.60
Copper (US Producer)	86.0c	
Lead (US Producer)	34,63c	
Tin (Kuzis Lumpur merket)	14,25r	+0.07
Tin (New York)	260.5c	-2 0
Zinc (US Prime Western)	62.0c	
Cattle flive weight:	140.03p	+264
Sheep (live weight)†•	132.18p	-1.86*
Pigs (live weight)†	86.78p	+0.90
London dality sugar (1414)	\$300 Z	-24
Landon dally sugar (white)	S295.0	
Tate and Lyle export price	£307.5	
Barley (English feed)	£113.0	
Malze (US No 3 yelfow)	C166 5	
Wheet (US Dark Northern)	Und	
Rubber (J⊌n)♥	67.25p	-0.50
Rubber (Juli♥	57.50p	+0.50
Rubber (KL RSS No 1 May)	209.0m	
Coconut of (Philippines)§		-5.0
Salm Ol (Malayshari)§	\$372.5u	-1.5m
Copra (Philippinesi)		-25
Soyabeura (US)		+15
Cotton "A" Index	80.80c	
Nookops (64s Super)	345p	

fundamental news dealers said New York failed to inject any life into the market as Comex opened lower, depressed by the firm dollar. "It's exceptionally quiet," said one dealer. Others said the gold market was becoming increasingly speculator driven as physical demand had dried up at current price levels. New York analysts

said	market	participa	ants were			
conti	nuing to	look fo	r further news	COPT	ES - Lond	en FOX
			Goldsmith		Close	Previou
			that he had	May	872	865
-			of stock in	Just	881	873
		ora brod	ducer Newmon		882	675
Minin	g.			Nav	696	889
Co	mpiled	from R	euters	Jen Mer	905 908	895 902
SUGAR	- Londor	FOX	(S per torms	CO Inc	licator pri	401) lots (265 (US co
White	Close	Previous	High/Low	10:Com (52.35)	p. daily 6	2.81 (52.7)
Aug	305.50	302.00	306.00 300.00			
Oct	298.00	293,80	297.50 290.00	POTAT	086 - L	ndon PQ
			(FFr per tonne):		Close	Previous
Aug 160	50.75 Oct	1683.20		Apr - May	92.0	60.5
CRUDE	OIL - IPI		\$/barre	Turnove	r 32 (2) k	nts of 20 t
	Letes	t Previo	us High/Low	-		
Jun	19.12	-	12.14 16.03	SUTAR		onden FO
Jul	19.09		19.12 16.02		Close	Previous
Aug	19.16		79.18 19.10	Oct	145.0	146,00
Sep	16.22	_	19.23 19.18	Tumove	r - (50) lo	ts of 20 to
Oct	19.23		19.28 16.23			
Nov IPE Inde	19.25 x 19.21		16.32 19.25 19.21	FREIQ	ff - Loss	lon FOX
				. —	Class	Previous
Turnove	r 29696 (3)	79 8 61		May	1578	1577
				Jun	1468	1472
GAS OL	L - IPE		S/torini	Jul Oct	1310	1317
				- BFI	1408 1573	1410 1571
	Close	Previous	High/Low		76 (155)	
May	180.25	183.75	183.75 180.00			
Jun	178.00	179.90	179.50 177.25 177.75 178.00	GRAIN	3 - Londo	s FOX
Jul Aug	178.75 177,75	177.75 178.00	178.00 177.00	Whest	Close	Previous
Sep	178.50	179.60	179.50 178.50	May	141.40	142.00
Oal	181.50	182.25	182.00 161.50	Juni	141,90	142.30
Nov	193.75	184.25	183.78 183.50	Sep Nov	108.40 110.26	110.75
Dec	185.00	186.00	185.75 185.00	Jen Nov	113.25	110.75
Jan	185.25	186.25	786.00 185.50	Mar	115.90	
Tumover	18702 (15	492) lots o	100 tonnes	Barley	Close	Previous
	-			Sep	106.25	·
9305.	BWO 5320	lee; BTC \$5 . C and F A \$295, BW	30, BWC rva, BTD intwerp; BTC \$315, D \$295.	Turnove	riots of 1	96 (90), 8 00 Tonnes
				PIGS -	London P	OX
COTT	erpool- 8	Spot and	shipment sales		Close	Previous
amoun	nted tO 220	tonnes for	the week ended ?	May	115.0	114.8
May.	egainst 1	76 tonnes	tu spe buskona	Jun	108.5	100.0
week.i	Renewed F	urchasing	in menty specialist	Aug	101.0	
atytos	attracted a	illention. A	merican, Australium	Sep	102.5	
		IS MOVED C	iti freely as well as	Jen	105.0	
Pakasi	ani styles.		1	Feb	105.0	
				Tumover	38 (15) kg	ts of 3,25

664 683 695 715 736 750 660 659 684 678 896 692 716 712 738 730 750 659 680 695 715 735 749 763 823 763 827 822 825 Turnover: 1741 (3247) lots of 10 tonnee ICCO Indicator prices (SDRs per tonne). Delty price for Mey 11 703.67 (725.90) 10 day average for Mey 10 716.97 (721.58) \$/tonne us High/Low 875 885 884 872 886 675 837 880 903 889 910 904 E/tonne us High/Low 92.0 61.5 98.0 us High/Low 145.0 \$10/Index point s High/Low 1578 1570 1470 1480 1314 1310 High/Low

141.85 141.40 142.30 141.90 108.40 110.50 110.20 113.40 113.25 116.20 115.90 B High/Low (Cash Settlement) p/kg High/Low 114.8 108.0 101.0 102.0 105.0 105.0

266.5-7. 276-8.5 268.75 278.5/275.5 256.25-6.75 275.75-6.0 276-6.5 Total daily turnover 8,418 lots Nickel (S per tonne) 5950-60 8015-25 6065/5995 5995-6000 5660-70 Total daily turnover 10,967 lots 1008.5-9.5 1028-6 1014-5 1033.5-4.0 3 months: 1.5313 LONDON BULLION MARKET (Prices supplied by N M Flotter **New York** Gold (troy oz) \$ price 356.30-356.60 355.40-355.60 365.35 356.35 356.40-356.60 365.30-365.60 356.7 357.3 358.2 359.0 360.6 362.1 363.7 365.2 366.8 n Gold Lending Rates (Ve US\$) 2.52 2.47 243 US cts equiv Drittoy oz Jul Oct Jan Apr S price netaviuos 3 425.1 426.0 427.3 430.0 434.0 434.5 438.2 440.9 444.0 447.4 365.50-368.50 231.00-233.00 368.55-368.90 -84.50-87.60 55.00-58.00 Aluminium (99.7%) Puts Strike price 6 tonne Jun Jun Sep 96 78 61 May Jun Jul Aug Sep Oct Nov Dec Jan Feb 77.90 78.25 78.60 78.90 79.20 78.58 79.85 00.05 50.35 82 109 142 86 64 47 59 93 120 73 49 33 20 45 61 Sep Jul Sep Latest 33 51 73 20.35 20.68 20.68 20.75 20.75 20.77 20.76 20.66 20.66 Jun Jul

Total daily turnover 31,426 lots 58.43 58.62 57.11 58.04 58.94 59.81 60.66 61.03 60.71 00.26 56.15 56.45 57.00 57.89 58.85 59.85 60.85 61.00 80.70 59.10 56.30 56.55 57.10 57.95 58.85 59.90 50.75 81.00 60.75 59.30 56.90 56.80 57.80 58.80 69.80 60.50 61.00 80.55 59.10 otal daily turnover 71,037 lots Total daily turnover 2,804 lots COCOA 10 tonnes;S/tonne Previous High/Low Close 909 938 975 1008 1035 May Jul Sep Dec May Jul Sep Dec Mar 885 910 939 975 1009 1031 1051 1071 1103 1135 892 915 942 960 1009 1033 1056 1083 1109 1142 867 922 949 967 1016 1036 0 1075 9 months: 1.5124 1140 1134 COFFEE "C" 37,500los; cents/los High/Low \$9.50 60.10 61.95 64.50 68.50 68.00 71.00 59.35 60.30 62.00 64.70 67.10 68.30 69.80 71,30 60.00 61.10 62.85 65.40 96.30 Close 12.47 12.16 11.24 11.11 12.17 11.85 11.11 12.58 12.20 11.32 11.20 11.10 11,05 11,00 0 11.10 11.13 High/Low 61.53 60.98 62.09 62.75 63.25 83.05 62.20 62.00 61.27 62.30 62.85 63.35 63.20 62.90 62.55 61.75 62.05 62.80 63.30 61.55 61.47 90.85 92.00 62.75 63.25 100.50 102.90 105.50 108.50 109.00 108.90 710.00 67.00 99.25 101.60 103.00 105.00 1 10.00 0 98.00 101.00 101.80 103.75 105.75 106.75 106.75 106.75 MOICES REUTERS (Base:September 16 1801 = 100) May 11 May 10 mnth ago yr ag 1663.1 1657.4 1863.9 1584,7 DOW JONES (Bese: Dec. 31 1974 = 100) May.10 May.7 minth ago yr agy 119.61 120.02 120.90 121.67

603/8 604/4 604/4 604/4 607/4 613/4 619/4 621/0 602/2 603/4 603/6 603/8 606/8 613/0 819/0 621/0 604/4 606/0 606/2 605/6 609/0 815/0 622/6 600/6 602/2 602/4 602/4 605/4 511/5 818/0 620/0 Mey Jul Aug Sop Nov Jen Mey SOYABEAN OIL 60,000 los; centa/to Close High/Lo 21.28 21.44 21.55 21.64 21.74 22.00 22.08 22.25 21.21 21.42 21.52 21.53 21.74 21.97 22.06 22.25 21.38 21.63 21.73 21.84 21.93 22.16 22.23 22.40 21.14 21.34 21.47 21.58 21.70 21.82 22.05 22.25 May Jui Aug Sep Oct Dec Jan Mar SOYABEAN MEAL 100 tons: \$/ton Close HighviLov May 193.3 182.6 193.3 142.6 192.0 191.6 182.0 191.7 191.6 182.0 192.0 191.7 191.6 182.0 192.1 192.1 192.2 182.1 192.2 182.3 182.3 182.3 193.3 193.3 193.7 194.0 194.2 194.1 194.7 MAZZE 5,000 bu min; cents/58b bushel 192-3 191.3 161.4 191.5 192.0 193.2 193.5 194.2 Close High/Lo 225/4 229/0 233/4 238/2 244/8 248/4 252/2 247/5 224/6 227/4 231/6 236/2 242/6 247/0 250/4 247/0 228/0 229/4 234/0 238/0 245/0 249/2 253/0 248/2 224/8 227/4 232/0 236/4 243/0 247/4 251/0 247/4 WHEAT 5,000 ou min; cen Close High/Lov 353/6 293/4 296/4 307/2 313/0 310/0 348/0 293/2 296/2 307/0 313/0 308/0 LIVE CATTLE 40,000 lbs; cents/lbs Close Previous 77.125 73.950 74.400 14.350 73.775 74.850 71.700 77,225 74,050 74,525 74,400 74,000 74,850 72,050 50.950 50.425 48.250 43.125 44.275 44.100 43.000 48.550 50.675 49.925 47.750 42.550 43.875 43.850 42.850 46.550 50,450 49,775 47,575 42,300 43,800 44,100 0 PORK BELLIES 40,000 lbs: centa/lb Close 42.125 41.975 39.900 41.500 40.400 42.525 42.450 40.325 41.400 40.400 43.850 43.350 41.100 41.800 41 675 41.650 39.825 41.150

Nafta supporters reckon the economies of the US, Canada and Mexico will all benefit from the treaty. Studies indicate a 'win-win-win situation'. says one expert. Yet there will also be losers in the process of economic restructuring. Stephen Fidler reports

Problems to be resolved

the US. Tariffs on some goods, such as agricultural products,

will be phased out over 15

It extends to Mexico trade

dispute settlement procedures established by the existing US-

Canadian free trade agreement.

It lays out commitments on the

treatment of services and

investment and opens indus-

tries such as Mexico's petro-

chemicals and financial ser-

From the viewpoint of eco-nomic efficiency, the negotia-

tions which concluded last

year worked out better than

many trade experts had pre-

dicted. But some sections have been criticised. Basic energy, for example, has been excluded

from the agreement at

In the words of Mr Gary Huf-bauer and Mr Jeffrey Schott of the Washington-based Institute

for International Economics, a

"schizophrenic" regime has

been established in textiles and

clothing. They say origin rules for textiles and vehicle produc-

tion force regional producers to

source from less efficient sup-pliers within the region.

Supporters reckon that none-

theless all three economies will

bsnefit from the treaty.

According to Ms Nora Lustig of

the Brookings Institution, most

studies. "indicate that there

will be a win-win-win situation

Mexico's insistence.

vices sectors.

SINCE the North American Frea Trade Agreement was signed by the leaders of the US, Canada and Mexico last October, the political land-scape of the region has changed. President George Bush, one of the accord's great supporters, is no longer in the White House and Mr Brian Mulroney, Canada'a prime min-ister, has announced his intention to step down this year.

The Mexican president, Mr Carlos Salinas, is still in place, his great initiative to integrate the Mexican economy with its powerful northern neighbours now in the hands of a Democrat-controlled US Congress.

As a result, the Mexican economy and political system is in a state of great uncertainty. Mr Salinas wants the treaty, which brings together three countries responsible for more than 18 per cent of world trade, ratified this year. For him, it will set in stone the market-oriented economic policies he has pursued since assuming office in 1988. He hopes that the boost in economic confidence that will ensue will pave the way for the election of his party's presidential candidate in the 1994 elec-

Nafta - the first reciprocal trade treaty between developed and developing countries - provides for the gradual ending over 10 years of tariffs and most other barriers to trade, for the three countries."

This sxpectation is partly derived from the assumption that wage differences will lead to a mutually-beneficial division of labour labour-intensive industry requiring fewer skills would migrate to Mexico while capital-intensive, highly-skilled work will concentrate in the US and Canada. There is little disagreement

that Mexico has most to gain. Mexico does about three-quar-ters of its trade with the US; its economy is a 20th of the size of the US and half that of Canada. Yet Mexico is of increasing significance to the other two economies. It is already a \$40bn-plus export market for US goods, accounting for nearly 10 per cent of US exports, and it is a growing potential market for Canada.

Canadian exporters presently sell less than \$1bn worth of products annually to Mexico, but Ottawa's interest in protecting the gains made in its bilateral free trade accord and in ansuring its continued importance to foreign investors looking at the North American market led it to support the accord.

The main economic benefits to Mexico may, however, come from increased capital inflows - and tharefore the higher investment - that should be sustainable once the Nafta goes into effect.

Nafta proponents argue that the benefits from the US point of view may not be only, or even mainly, economic. The agreement would fix an outward, pro-Washington orientation in Mexican foreign policy, traditionally antagonistic to

Economic growth would also provids stability in Mexico, hetter place it to address mntual environmental concerns and over time reduce illegal immigration to the US. which reached a record high

Yet there will unavoidably be some losers. In the process of economic restructuring, companies in all three countries will close factories and many thousands of people will lose their jobs. Ms Lustig says that because the Bush adminis-fration had seen the overall economic impact of Nafta as



positive, it had glossed over the problems of the losers in

By contrast, the Clinton administration has decided to address these concerns. This has turned out to be important in any case to secure congressional passage for the treaty over an increasingly vociferous opposition. While opposition encompasses environmentalists and those with political concerns about Mexico'a oneparty rule, its most powerful US opponents - including Mr Ross Perot, the former presidential candidate - are worried

about US job losses as companies are sucked southwards to exploit cheap Mexican labour. The idea that imports pro-duced by cheap foreign labour

will reduce standards of living in the US resurrects a notion almost as old as economics itself. The reality is a bit more complicated: US workers get paid more because they are more productive.

Most of the Nafta losers in the US can be helped unilaterally by the US - through support and training for displaced workers, for example, Backing for a North American develop-

ment bank to iron out economic dislocation within Nafta also appears to be gaining momentum on Capitol Hill.

The president has also insisted on supplemental agreements, now being negotiated trilaterally, over labour atandards and the environ-ment. The aim is to make sure that migration by companies, and therefore jobs, from the US to Mexico does not take place merely to take advantage of lax enforcement of Maxican lahour and environmental laws. The side accords foresee supranational commissions to

among Nafta supporters that the jobs and environment issues have become little more than a respectable cloak for the protectionist instincts of those who want to see the treaty killed. Reports from the negotiators, however, have suggested they are making important advances toward For the Mexican govern-

agreement. There are worries

ment, the side agreements have extended the agony surrounding ratification. President Salinas has staked its prestige and economic policy on Nafta, which is important in ensuring the continuation of the government's aconomic

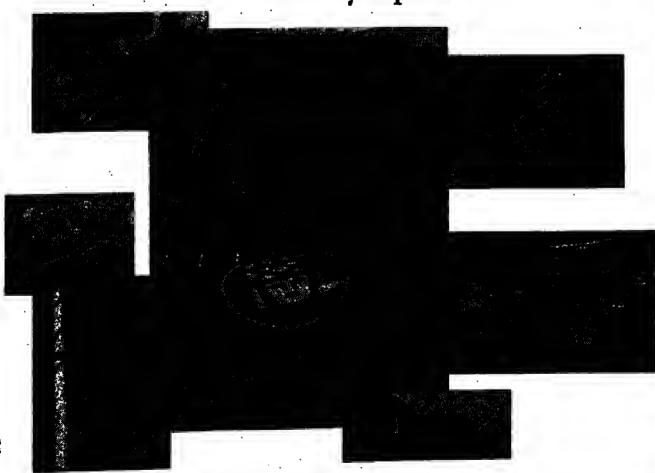
In the shorter term, it is needed to provide confidence that a current account deficit which reached \$22.8bn last year can be financed. Mexico's financial markets are in thrall to day-to-day signals on prospects for ratification by the US Congress, a state of affairs that will prevail until the treaty is voted on by the US Congress, which could be as late as

December.
According to Mr Peter Hakim of the Washingtonbased InterAmerican Dialogue, the US administration has been pushed on the defensive over Nafta because it is fighting on the turf of the treaty's opponents over the labour and environment issues. If the administration wants to secure passage, it should go on the offensive, presenting Nafta for example as part of its overall economic strategy.

The treaty is not yet a legis-lative priority for the administration. Although he continues to insist that the treaty will be ratified in time for implementetion at the beginning of 1994. Mr Clinton is unwilling yet to risk political capital which may be more usefully employed elsewhere.

Mr Hakim and others believe that, once the side accords are secured, Mr Clinton has the ability, if he wants, to win ratification. "It'll pass if Clinton gets involved and shows lead-ership; it will not pass of its own accord," said Mr Mark Falcoff of the American Enter-

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NUEVO LEON

investigate disputes.

These side agreements have presented the US administra-

tion with a dilemma. It has recognised that the commis-

sions have important implica-

tions for US sovereignty as

well as Mexico's. The greater

their powers, the more likely they are to be used against the

US. Furthermore, to the extent

that the side agreements are

effective in addressing con-

cerns of environmentalists and trade unions in the US, they

will dilute some of the eco-

nomic gains that Mexico

expects to derive from the

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The picture is changing

women and a couple of teenagers - are getting ready to jump. Leaning against the uew eight-foot corrugated fence that separates the Mexican city of Tijuana from the US is Mr Jorge Sanchez, 30, a mechanic from Guadalajara. He is the sort of worker the Mexican government says will stay south of Rio Grande were the North American Free Trade Agreement passed, and more jobs created in Mexico.

Mexicans - including about 10

But opponents of Nafta, and many academics, suggest that Nafta will encourage even more Mexicans to cross the border. Just as migration has increased since Mexico opened its country to trade in recent years, many economists point out that the free trade agreement will expose Mexico's remaining protected and inefficient sectors to competition - most notably agriculture, but also manufacturing and could put hundreds of thousands of more labourers

out of work. Mr Sweder van Wijnbergen, former chief Mexico economist at the World bank, and Mr Santiago Levy, now a senior official in Mexico's trade ministry, calculated in a recent

paper that freeing maize prices could force some 700,000 Mexican corn farmers out of work. Mr Raul Hinojosa-Ojeda, an economist at the University of California, Los Angeles, estimates that the treaty may increase Mexican emigration to the US by 600,000.

Mr Wane Cornelius, director

of the Centre for Mexico-US

Studies at the University of California, San Diego, takes a more sanguine view of the effects of Nafta on immigration, reckoning such studies exaggerate the dependence of rural workers on income from selling maize. He says that in the longer run immigration may fall when Nafta reduces the wage gap between Mexico and the US and creates jobs for displaced farmers in Mexican cities. But with wages in Mexico about one eighth of those in the US, this is sure to take a long time.

What is certain is that immigration is not falling by significant amounts desplte the US recession last year and more border patrol agents, fences, and other mechanisms to reduce illegal immigration.

Last fiscal year, the Border Patrol apprehended 1.140,574 lllegal migrants, compared with 1,077,511 in 1991.

Such figures overstate the number of migrants trying to cross the border, given that the typical illegal worker will attempt to cross three or four times hefore succeeding. But according to the Colegio de la Frontera, a leading research

The demand for cheap labour has shifted with agricultural needs being overtaken by household work, construction and light manufacturing centre for immigration, the

flow of immigrants trying to cross into the US has remained unchanged recently, at ahout 300,000 a year. What has changed is the type of immigrant. While the vision of the wethack crossing the Rio Grande to look for work as a tomato picker was always exaggerated, surveys

now show that most immigrants work in service, construction or light manufacturing sectors rather than in agriculture; most have left johs

often take their families with them, they are less likely to send so much money back to Mexico, an important source of external finance for the coun-

in Mexico: stay more than a year in the US; and, increas

Mr Sanchez, for example, is

relatively educated, having

stayed at school until 17. He

comes from a large city, rather

than the countryside and he

intends to work in a Los

Angeles factory or restaurant,

rather than pick oranges. He has also brought his wife.

Mexico, which has tradition-

ally seen migration as an

escape valve for those unem-

ployed, is now losing some of

its more productive workers.

Because these workers stay

longer in the US, and therefore

ingly, most are female.

For the US, while immigration is becoming spread through different sectors of the

trated in certain parts of the country. One half of the immigrants go to California.

Mr Cornelius says that the

shift from a single, male, tem-porary, migrant to the longer-staying migrant family "will increase the effects of the Mexican immigration population on housing, schools, and health-care systems in localities that attract large numbers". As immigrants stay longer, their presence, he says. has raised racial tensions in some communities.

The change in Mexican migration has numerous causes. The demand for cheap labour has shifted in the US, with agricultural needs being overtaken by household work. construction and light manufacturing. According to a survey hy Mr Cornelius of migrants from three rural villages, just 21 per cent worked in agriculture in 1988-89, down from 55 per cent in 1976.

It has also hecome more expensive to cross the border than in the past, meaning that very poor Mexicans cannot afford the trip. Mr Jorge Busta-

otente, head of the Colegio de la Frontera, reckons it costs about \$200 to reach the border from the interior of Mexico excluding the implicit cost of lost working days. Because of increased horder patrol vigilance, it takes on average three or four attempts before a successful crossing is made, from one or two attempts a few years back.

The increased difficulty in crossing the border encourages immigrants to stay longer in the US, so as to recoup their fixed costs of travel. An illegal immigrant now stays an average 1.5 years in the US, up from the traditional period of four or live months.

The US Immigration Reform and Control Act of 1986 has also played its part. The act legalised some 3m illegal immi-grants - most of them Mexican and encouraged them to bring their wives and family from Mexico. Partly as a result some half of the Mexican immigrants who settle in the US are

now women. The act penalises employers who hire workers without legal papers. Rather than deter unmigration, this has led to a thriving market in forged papers, still further increasing the cost of immigration. The necessary working papers can cost another \$200-\$300.

Damian Fraser

IMPACT ON MEXICO

Overwhelming importance attached to pact

year, Mr Jose Cordoha, the chief of staff to Mexico's President Carlos Salinas, was having lunch in an elegant Washington DC restaurant with Mr Samuel Berger, head of national security in the Clinton administration team, and Mr Barry Carter, another Clin-For Mr Cordoba, the lunch

exico remains deeply

On November 24 last

worrled about Nafta.

Immigration is not falling despite more border patrol agents and fences

was important enough that he flew to Washington especially for it. The Mexican government had barely concealed its preference in the US elections for President George Bush, and was worried the Clinton administration might (partly as a result) he less than enthusiastic about pushing for a rapid congressional approval of the proposed North American Free Trade Agreement.

Mr Cordoha thus turned salesman. In a private conver-sation obtained by the newspaper El Financiero and the weekly Proceso, and whose contents have been confirmed. Mr Cordoba sald (with his remarks re-translated):

"For us, timing is every-thing. We would like to see this finished by the end of 1994... In December 1993 we will have a candidate for the presidency and the electoral process in Mexico will have

"It is very important for us to have finished this by then: that Nafta does not become mixed up with internal political affairs. By these dates, we would want to bave left this

matter behind us." Mr Cordoba's remarks capture well the overwhelming importance the Mexican government attaches to Nafta. The presidency of President Salinas has come to be identified with the treaty. If it is passed. Mr Salinas will go down in history as the Mexican president who tied his country's economy irrevocably to the market principles of the US. If It is rejected, then his single

have been seen to be a failure. However, whether rejection would go so far as to lead to an economic collapse and nationalist backlash is questionable. Given the lack of grass-roots support for Nafta in the US, the Mexican government has exploited such an argument, in the belief this would step up pressure on the US administration and Congress to approve the treaty. But were Nafta not approved by the US Congress, the gov-

ernment may want to Intensify economic reforms, as a way of reassuring foreign and domestic investors that there will be no sudden change in government policy. As one senior government minister said earller this year: "We will have to speed up structural change were Nafta not passed". This would be the preferred option rather than "shooting yourself in the foot" by reversing reforms, he said.

The government is helieved to bave a number of such reforms up its sleeve - sucb as the independence of the central bank, and news regarding membership of the Organisation for Economic Co-operation and Development (OECD) - In case the prospects for Nafta look dim.

Similarly, while some analysts speculate that rejection of Nafta would encourage President Salinas to select a candidate with political savvy for the presidency next year, just as many say it would put the premium on a candidate with a strong economic hackground, given the need to assnre investors, in the absence of Nafta, of the future direction of economic policy. Even tf the rejection of Nafta does not provoke a crisis, most



Investors in Mexico's stock market, and leading businessmen, reckon such an event would have some damaging short-term economic consequences. Mexico last year ran a current account deficit of 522.8hh, forcing the govern ment to let interest rates rise to 18 per cent to attract short-term foreign capital. High interest rates and a budget surplus in turn helped slow economic growth to just

2.6 per cent. investors reckon passage of the Nafta witl reduce nncertainty about future economic policy in Mexico and thus encourage more foreign investment. This should allow Interest rates to come down and government spending to increase, giving the economy a vital shot as it enters the last year of the Salinas presidency. Such reasoning explains how on any given day positive news about Nafta can lift the stockmarket 20 nr so points, while negativa news depresses



Berger: head of national security

it by the same or more. Later in this year, concerns over Nafta may become worse as they feed speculation over the presidential succession. As Mr Cordoba Indicated, the selection of the presidential

he prospect of Nafta is

changing Mexican corpo-

rate strategy. When

Modelo, Mexico's largest brew-

ery responsible for Corona

beer, announced last March It

was selling 18 per cent of its company to Anheuser-Busch

for \$477m and then going pub-

Mexico's hest-known private

company - which did not

believe in deht and seldom dis-

closed information about itself

- was going to have three

Americans on its board, hire

expensive foreign investment

hankers to arrange an interna-

tional offering, and bare all to

Modelo, like practically all

Mexican companies these days.

buckled under the pressure of

free trade, and the imminent

North American Free Trade

Agreement. As Mr Don Juan

Sanchez Navarro, Modelo's

vice-president, said, the tie-in

with Anheuser-Busch "is an

example of a strategic associa-tion that will be increasingly

seen in other sectors" as com-

panies gear up for the husiness

When Mexico was a pro-

tected economy, companies did

not have to worry much about

strategic alliances and other

mechanisms to achieve inter-

national competitiveness

because thay had a captive

market. But since the late

1980s, when Mexico tore down

most of its trade barriers, and

then in 1990 when it

announced its intention to sign

the Nafta, Mexican companies

Some Mexican compa-

nies - those in global indus-

tries - have aspired to be inter-

nationally competitive by

becoming international compa-

nies. Others have signed joint

ventures with world leaders so

as to acquire the best technol-

ogy and eliminate potential

competition. But all are striv-

ing to improve productivity hy

seeking cheap capital, econo-mies of scale, flexible labour

contracts and new technology.

Cementos Mexicanos (Cemex) and Vitro, Mexico's

two largest industrial conglom-

erates, have paved the way in

turning themselves from strictly Mexican companies

into global cement and glass

producers respectively. In 1989, Vitro bought the US glass com-pany Anchor Glass for \$900m

(including debt), making it

North America's largest glass

producer. Last year, Cemex

hought the two Spanish cement companies. Valeociana

and Sanson, for \$1.85bn, to add

have though about little else.

implications of Nafta.

lic, history was made.

the world.



Salinas; most important initiative

candidate for the ruling party is expected to occur just after the congressional vote on Nafta (earmarked for December, according to one US adviser to the Mexican government). The confluence of



Bush: preferred by government

uncertaintles could drive even the most adventurous investors from Mexico's stock market and threaten the stability of the peso.

In an attempt to temper such uncertainties, the presi-



Clinton: subject of concern

dent has made sure that all the presidential candidates from the PRI broadly share bis economic philosophy. The potential candidates - whether It be Mr Donaldo Colosio, the social development minister

and current favnnrite, Mr Manuel Camacho, the populistleaning mayor of Mexico City, or Mr Pedro Aspe, the finance minister – all worked under Mr Salinas in the hudget ministry in the last administration and while differences remain hetween them they are unlikely to reverse current policies in any significant

Likewise, the government has been at pains to stress that the current austere macroeconomic policy will remain unchanged throughout this and next year. It is pressing ahead with further economic reform in the form of a new foreign Investment law - to be introduced as part of the Mexican enabling legislation for Nafta some time in the summer - and more deregulation in the financial and industrial

Despite such precantions the government is still hiting its tongue. Indeed, Mr Cordoba returned to Washington recently to impress on the US administration the importance of the treaty for Mexico and Mexico-US relations. This time he was advised to stay clear of

Damian Fraser

MEXICAN CORPORATE STRATEGY

Companies gear up for implications

to cement companies it already

has in the US. Cemex's acquisition was harshly criticised by foreign investors who had bought the company because of the fastgrowing Mexican construction market. But Mr Lorenzo Zamhrano, president of Cemex, said after the transaction: "If you stay small you become vulnerable. The global cement husiness is becoming increasingly

concentrated and we need to stay with the leaders. Cemex's fear was that if it stayed in Mexico, the large European cement companies (headed by Holderbank whose subsidiary, Apasco, is Cemex's

rival in Mexico) would eventu-Vitro has signed joint ventures with Coming and Whirlpool

ally move in for the kill - just as they did to US cement com-

panies in the 1980s. Such a strategy is likely to be followed by other Mexican companies in global husinesses as Nafta comes into effect, says Mr Gustavo Cabellero, Cemex's finance director. "It is unsus-

tainable in the long term to survive as a purely Mexican company in an open economy. What Cemex did will be followed hy an increasing number of Mexican companies as they try to compete in international Indeed, soon after Cemex's acquisitions, a group of inves-tors from the south-east of Mexico paid \$499m for the US company Del Monte Fresh Pro-

duce, the fresh fruit side of Polly Peck International, the fruit and electronics conglomerate which collapsed in Octo-ber 1990. Likewise, Mexican banks have bought stakes in financial companies in Latin America and are seeking to increase their presence in the

Most Mexican companies are still so far from acquiring global or regional leadership or the cost of so doing is so prohibitively large, that the

purchase of foreign companies makes little sense, Instead, they have sought to form joint ventures with world leaders. That way they can acquire technology, capital, access to the US and other markets, and eliminate potential competi-

Modelo will be using Anheuser-Busch technology and money in the construction of its eighth brewery, and inter-changing personnel as a way of learning from its huge American rival. Femsa, Modelo's rival in the heer husiness and Mexico's largest beverage company, has just sold 30 per cent of its soft-drinks division to Coca-Cola and hopes to benefit from Coke's expertise in marketing and technology. Femsa is now looking for a partner in its beer division to

compete with Modelo. Vitro, as well as buying up Anchor Glass, has signed joint ventures with Corning, the US glassware producer and Whirlpool, the white goods maker, enabling it to use these companies' distribution outlets to increase exports to the US, and sharing technology to lower

Best-known have been the alliances in the retail sector, with practically all the blg US chains - Wal-Mart, Fleming, Price Club and K-Mart - forming joint ventures with Mexican counterparts in the past 18 months. The proposed Nafta will likely intensify this trend, by

reducing trade barriers to the US for Mexico, and by making American companies more comfortable with signing joint ventures with smaller, less well-known Mexican companies. Foreign investment bankers are now eagerly examining the consumer goods market. the vehicle parts sector, textiles, and other industries, to see which foreign partners they can team up with willing Mexican companies.

Mr Jacob Zaidenweber, head of the American Textile Group, says of his sector: "The first stage of Nafta is the most unportant. Those textile com-

vive will have to establish niches and low financing. Some are not going to, but those that do, will then be ready to form alliances with US companies Production will

move from Asia to North The joint venture itself is no panacea under Nafta. Unless Mexican businesses Improve productivity, many will be unable to compete in the wider North American economy. For most, this means divesting or eliminating areas where they are not competitive, and spe-

clalising production. General Electric Mexico bas, for example, stopped making

Cemex has divested itself of all non-cement holdings except tourism

light hulbs in Mexico because

it is more efficient to import them from plants in the US which enjoy much greater economies of scale. Cemex has divested itself of all non-cement holdings except tourism. Desc is reducing, selling off, or closing petrochemical divisions where it cannot compete, concentrating more on consumer goods such as glue. As the Nafta is implemented more will follow suit. To remain competitive, Mexi-

can companies will have to increase substantially investment in the divisions they retain, making the cost of capital critical to competitiveness. With Mexican borrowing rates at about 35 per cent, uicreasing numbers of Mexican companies are attempting to borrow cheaply in dollars, or raise money through equity in international offerings. This has important implica-

tions for the way husinesses are run. As Mr Don Sanchez Navarro recently put it at the annual stock market convention: "The relationship with highly sophisticated and demanding foreign investors has led to pressure for results. better information, a more effi-

cient business, to open new markets, to improve quality, and to obtain the desired international competitiveness.

Mr Gilberto Borja, the head of ICA, Mexico and Latin America's largest construction group which went public last year, told the same convention: "We accepted [in 1991] that given new expectations, the internal generation of resources, based on an aggressive policy of re-investing profits, with which we had built up 🥔 our capital, would be insuffi cient. In consequence, we took the decision to go to the capital markets.

"Internally, this signified a profound change in the policies that we had maintained throughout our history. From being a closed company - the exclusive property of the active partners in the company, with capital 100 per cent a result of our work, that did not require giving out information har the essential - we turned into an open husiness

In the past couple of years

Videovisa, Gigante, Televisa, ICA, Dina, Grupo Herdez, and others have gone public, 18 hanks and the telephone company have been privatised, and practically every leading company has issued new equity. Other private companies, such as Modelo, Gutsa, or GMD, are intending to go public. Mr Roland Wojewodski, head of Latin America for JP Mor-

gan says: "What is happening in Mexico is that a lot of privately owned companies are looking two or three years down the line. They are going public to raise financing; they are looking at joint ventures; and they are increasing financial capabilities to take advantage of new opportunities." As part of the process of

increasing productivity, Mexican companies are also having to change their relations with labour. In the past, labour contracts were usually negotiated sector by sector and were affected as much by the political importance of a union to Mexico's ruling party as by the demands and needs of individual husinesses

Last year, important strikes were broken - such as one in the textiles industry - and this will allow negotiations to be conducted company hy company. Other strikes were probably illegally - over come, enabling companies to introduce more flexible work ing practices.

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Conflicting predictions

all its capital equipment is US

made, American industries are

likely to expand production

These companies will not

relocate because the Mexican

workers and infrastructure are

not capable of supporting

high-technology production.

for akilled manufacturing in

the US will grow, placing

upward pressure on US wages.

Mexican entities hoping to

lure American companies to

their areas have been throw-

ing fuel on the flames of unlon

discontent. A recent advertise-

ment in World Trade magazine

sold the Yucatan as a husiness-

man's paradise "where labour

costs average under \$1 an hour

including benefits and the

employee turnover rate is less

than 5 per cent a year. "You

could save over \$15,000 a worker..." sald Yucatan's

Department of Industrial and

If the Clinton administration

is ever to overcome the fears

produced hy such untimely

advertising ventures, then

money must also somehow he found to retrain American workers who lose their johs to the Nafta. President George Bush promised \$10bn in new funding over five years on training and adjustment assistance (\$335m would he for Nafta); President Clinton has yet to reveal his plans .In its negotiations on the side agreements, the administration seems to envision the establishment of a tri-national commission which is more a

watchdog than an enforcement agency, Mr Ron Brown, the US

Commerce Secretary, urged

husiness in Mexico to reform

mental and labour standards,

to job growth and the health

of the North American economy," he told businesses in a

recent speech. "For some this may require a fundamental

change in attitude, a willing-

Even some husiness leaders

belleve such exhortations will

not be enough. The Economic

Policy Council of the United

Nations Association of the US, composed of husiness and labour leaders and academics,

recently called for an effective

enforcement mechanism and a

timetable for the upward har-

monisation of North American

labour standards.

Mr Paul Allaire, chairman of
Xerox Corporation and co-

chairman of the Council, said

the supplemental labour pact

must ensure an equitable dis-tribution of benefits of Nafta

and protect US interests in a

more integrated North Ameri-

can economy. Mr Jack Sheink-

man, the other co-chairman and president of the Amalgam-

ated Clothing and Textile Workers Union, said that only "steady improvement in Mexi-

can incomes will alleviate competitive downward pres-

sure on US and Canadian wage rates, reduce the incentive for

illegal lmmlgration and

increased Mexican demand for

While the Nafta negotiators

have been wrestling with the make-up of the Trilateral

Labour Commission, Mr Jag-

dish Bhagwati, professor of economics at Columbia Uni-

versity, has found a way

around the administration's

reluctance to Interfera with

Mexican sovereignty.
The US Congress can legis-

late rules for American compa-

nies in Mexico which require

that they "act entirely np to

the ability of the Clinton

administration to reject the ontlandish demands that

Mexico, despite its poverty, do

much more for the environment and labour than it can

current afford and that it rep-

licate our regulations and standards on each industry,"

Nancy Dunne

Mr Bhagwati concluded.

"It would thus strengthen

our standards." he said.

US and Canadian goods."

"You must demonstrate your commitment to high environ-

ltself voluntarily.

Commercial Development.

Advertising ventures by

As Mexico grows, the demand

and hire more workers.

"THE first rule of war is don't Because about 80 per cent of shoot yourself. Our trade agreements, including this one, violate this rule." Pithy comments like this entrance the worshipful hordes which still support Mr Ross Perot, the Texas hilllonaire and former presidential candidate.

It was with these words that Mr Perot annonnced that because the North American Free Trade Agreement could "snck" as many as 5.8m jobs ont of the US economy, he would oppose the pact. Even worse news for the Clinton administration is that he is huying television time to hroadcast "an educational campaigo" against the Nafta.

The study Mr Perot produced to support his concluslon focused particularly on US manufacturing industries with high costs and easily transferred technology. It contradicts one of the most cited reports - Nafta: An Assess-



Perot: said the Nafta could 'suck' 5.8m jobs out of the US economy

ment – released in February by Mr Cary Hufbaner and Mr Jeffrey Schott of the Institute of International Economics. Their report shows a gain of about 171,000 net new US jobs hy 1995, although the authors also acknowledge that in the long run the US could show a small net loss.

The Economic Policy Institnte, which receives labour support, has predicted a loss of ness to re-examine your 500,000 American jobs in .10 : operations and maybe even a years. The US International change in your processes." Trade Commission has projected long-term gains in aggregate employment at less than 1 per cent for the US and Canada hnt up to almost 7 per cent for Mexico.

From more than 20 studies of the Nafta, only this much is clear: No one really knows how many jobs will be created or lost, numbers can be found to boost every contention, and whether or not there is a Nafta, US workers will continne to lose jobs as companies seek cheaper labour south of the border or in Asia.

Although the ITC also concluded that there would be an almost indiscernible effect on US wage rates for both lowskilled and high-skilled wages. American unions worry that US wages will be forced downward as workers compete with lower-paid hrethren in Mexico.

To assuage labour's concern, the Clinton administration has promised to negotiate a side agreemant which would ensure that Mexico enforces the strong labour laws it now has on the books. Otherwise, the unions say, the "exploited" young Mexican work-force - 30m strong and grow-ing - will never freely share in the Nafta henefits and rising living standards.

Lahour is supported by a number of Democratic congressmen and senators. Rarely does a month go hy without a group of lawmakers flying down to Mexico, only to return shaken by the working conditions. Mr Richard Gephardt, leader of the House of Representatives Democratic majority, recently described a visit with a group of Mexican

vorkers. "Despite their living conditions, they all were prond people. They couldn't understand why the system dldn't work for them. Why the unions didn't represent them. Why the rich got richer and their lives never seemed to change," he told a congressional committee.

He talked of the workers at a Sanyo plant in Tijnana who earn an average \$50-\$55 a week, and whose manager said that once the Nafta was signed, no US companies with labour-intensive production would be able to survive the competitive pressures without moving to Mexico.

"I will not support a Nafta on a leap of faith," he said. Most of the US business lohhy helleves that market forces alone will raise the income levels in Mexico, creatlng a strong market for US and Canadian goods. The conservative Heritage Foundation puts forth this scenario: With a Nafta, Mexican economic modernisation will accelerate.

lenges and opportunities.

investment to Mexico. Mr Bob Rae, Ontario's social-

democrat premier and ona of the most vocal opponents of both tha FTA and Naîta, predicted recently that "companies in Ontario will insist that if they are to compete with enterprises in Mexico, Ontario workers must reduce their wages or face job losses. Generally, however, the reaction to Nafta has been far more

The House of Commons has

he attitude of Canadians towards North American free trade has undergone o subtle but perceptible shift since the fiery debate which dominated the 1988 election campaign. Instead of arguing about free trade, Canadians are learning to cope with its chal-

Recent opinion polls show that a majority still oppose the bllateral pact with the US which came into force in January 1989, as well as the wider Nafta deal. But the polls also point to a rising number who, however reluctantly, have come to accept that there is no

A plethora of anti-free trade groups atlll dot the political landscape, raising many of the same arguments against Nafta that were heard in 1988. They contend that the agreement will deprive Canada of control over its natural resources, especially energy, and divert

deal with Washington. already approved Nafta legislation in principle and is set to ratify the deal by the end of

muted than to the four-year-old

■ THE VIEW FROM CANADA

Subtle shift in attitude

June. Free trade is unlikely to ignite the same passions in the election due later this year as lt did in 1988.

One reason is that the Liberals, the main opposition party. are divided on the agreement. Another is that Mexico is a miniscule trading partner in comparison to the US. Canada's imports from Mexico currently run at only about 1.8 per cent of purchases from the US.

Finally, just about all that can be said about free trade has been said over the past six years. Free trade is not dead as o political issue, hut it has come to be overshadowed by other controversies. Implementation of the 1989

agreement has, however.

proved to be a wrenching expe-

rience for Canadian companies and their workers. The provisions of the FTA are relatively modest. They include the gradual elimination of customs duties over 10 years, liberalised rules on US investment in Canada and the highly successful system of binational panels now used to

But the FTA coincided with such other pressures as the slump in domestic demand, low commodity prices and rising taxes, in addition, the pros-

settle protracted trade dis-



Bob Rae: one of the most vocal

pect of lower trade harriers has encouraged companies on both sides of the border to rethink the way they do husiness in North America. They have spent the past four years rationalising and Integrating US and Canadian operations in much the same way as the motor industry did in the years after the 1965 Automotive Pact. US multinationals typically no longer view Canada as a

'branch plant" country, hut as part of their domestic operations. Instead of producing an item at two or more factories on each side of the border, companies such as Procter & Gamble, Campbell Soup and Stanley Tools now supply both countries from a single plant.

Almost all of Canada's large flour mills are now either owned by US companies or have US joint-venture partners. The move towards a freetrade zone has brought a gust

of competition to the lahour market, straining traditionally friendly relations between US and Canadian trade unions. The tensions are illustrated hy a dispute at an instant-coffee factory south of Ottawa owned hy Nestlé, the Swiss food and beverage company.

Nestlė, which has excess capacity in North America, locked out the Canadian workers in March after they refused to accept more flexible overtime rules which have become standard practice at the company's two US plants. Even Canada's farmers, long accustomed to special protec-

tion, have not been immune from tha pressures. For example, Canadian brewers have complained that high domestic prices for malting barley are putting them at a disadvantage to US hrewers. The US industry pays lower prices for Canadian barley which then finds its way back across the border

Ottawa signed the Nafta deal last year mainly to protect goins made in the FTA and to ensure that Canada would continue to compete for foreign investors eyelng the entire North American market.

Many Canadian companies have seized the opportunity to take a closer look at trade and investment in Mexico. A record 4,500 exporters visited the commercial division of the Canadian embassy in Mexico City last year.

While Ottawa is scaling back diplomatic representation in othar parts of tha world, it recently opened a trade office in Monterrey. Canada's exports to Mexico

Bank of Nova Scotia paid C\$90m for 5 per cent in Grupo Financiero Inverlat

soared by 37 per cent last year to C\$771m, due largely to sales of cereais and other foodstuffs. Imports were up by about 8 per cent to C\$2.8bn.

Mexico's hurgeoning economy and improved payments record has encouraged Canadian banks to increase their trade credits and to reduce rates on export finance. Bank of Nova Scotia paid C\$90m last

autumn for a 5 per cent interest in a Mexican financial institution, Grupo Financiero Inverlat SA.

A recent study by the Conference Board of Canada predicts that Canadian exporters of grains, oilseeds, livestock, textiles, oil and gas services, telecommunications equipment and engineering services are among those which will benefit from more liberalised trade and investment rules under

On the othe hand, Canadian industries at risk from labourintensive, standard-technology Mexican exports includa clothing, footwear, metal fahrication, machinery and electrical products.

Canadian officials and husinessmen also have a less tangi-- hut very real - concern that implementation of Nafta may be hampered by cultural differences between the US and Canada on the one hand, and Mexico on the other.

They wonder to what extent political corruption in Mexico will interfere with efforts to bring down trade harriars. They also question the ability of tha Mexican government to enforce a complex multilateral agreement whose provisions in many cases will override domestic laws.

One Canadian official predicts that the different ways of doing business north and south of the Rio Grande will create many "hassles" over the

Bernard Simon



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No one expected, for example, that a big beneficiary would be Pilkington Brothers of the UK, the world's leading flat glass producer. Pilkington has a 35 per ceot share of Vitro, a Mexico-owned holding company which has secured real gains in

The US flat glass industry is aghast at what it calls "an enormous disparity between the US and Mexican tariff rates. With no apparent success thus far, it has been urging the US Trade Representative to force Mexico to renegotiate the flat glass provision of the Nafta.

This disparity is by no means a new one. The average US tariff on dutiable imports of Mexican flat glass is 4.8 per cent. Mexican duty rates are 20 per cent on most US flat glass. But the US industry is arguing that the gap between the two will widen after the Nafta goes into effect.

Meanwhile, the US market is already oversupplied. "Vitro's monopoly position in the lucrative Mexican market permits it to use profits both to further expand its capacity, aggressively acquire US firms WINNERS AND LOSERS

Wide-ranging consequences

and US market share and expand its already highly developed distributional structure in the US." according to Mr John Reichenback Jr.. an industry business anahyst. "Unless the present tariff disparity is eliminated the US flat glass industry estimates that the Mexican flat glass monopoly will capture at least 13 per cent of the overall US flat glass market."

Like the US flat glass industry, other Nafta losers are trooping up to Capitol Hill to plead for changes in the pact. The winners, however, are fighting to retain the advantages they have gained. Some sectors have both winners and losers.

American agriculture is a loser and a gainer. Vegetable and frult producers in Florida are convinced their days in business are numbered if they have to compete - even after a 15-year pbaseout - with Mexican imports. US exports of barley and maize and expected to soar. American soyabean meal will do well, as will rice, wheat and fats and oils. However, US sugar producers are up in arms about the pact, saying Mexico will re-export to the US large quantities of cheap sugar imports.

According to the International Trade Commission, the US automotive parts industry will gain considerably in the long term, but US car production will be ultimately a loser.

Upon implementation of the pact, tariffs on US vehicles will be eliminated immediately. The phase-out is longer - 10 years - for automotive parts. Mexican tariffs on US cars and the rest will be phased out over 10 years. Mexico's tariffs on 75 per cent of its imports of US automotive parts will be eliminated over five years with the rest to be eliminated over 10 years.

American service industries, clearly advantaged by the pact, will have new opportunities through hoth cross-horder trade or investment in Mexican enter-

prises. The ITC says US investment in Mexican telecommunication and banking services could increase by 6 to 15 per cent. Investment in Mexican transportation services could rise hy even more over the long-term. Removal of Mexico's restrictions on foreign equity ownership in the insurance market may result in expansion

of US investment by 16 per cent or more. The US energy sector is a partial winner in the deal. Mexico resisted opening most of its energy market for foreign participation, but where it liberalised it will gain access to high quality foreign expertise and equipment. According to a report to Congress by the Industry Policy Advisory Committee, the Nafta will promote trade in natural gas hy establishing the right of all Nafta producers to negotiate supply contracts directly with eod-users.

The pact enables independent power producers and electric utilities to negotiate power purchase and sales contracts: reduces the number of petcochemicals reserved to the Mexican state to eight and makes the rest available for 100 per cent foreign ownership: and provides for expanding commercial arrangements in the electricity sector.

Over the short term, the US is likely to import more Mexican bearings, household glassware and steel mill products. Its exports to Mexico will rise in the following sectors: bearings, machine tools, steel mill products. pharmaceuticals, industrial machinery, chemicals and household appliances, in the long-run both the US and Mexico are expected to increase to each other sales of vehicles, computers. textiles and apparel and ceramic tiles.

The pact has spurred hopes and anxieties in Larin America. There is concern that the edvantages Mexico will gain in some markets, such as sugar and textiles, means losses for its southern neighbours. and that zero tariff henefits granted to

developing countries through the US Generalised System of Preferences will be neutralised by Mexico. Investment which might have gone to the Caribbean and other low-cost producers may he diverted, and in Latin America Mexico will get the first boost towards acquiring the technology of the 21st century.

The Clinton administration has been at pains to assure the Latin leaders that it shares the vision of its Republican predecessor of a hemispheric-wide free trade agreement. But it also being urged to look to the Pacific Rim for free trade deals to discourage the formation of an aggressive super-competitive Asian trade bloc.

Japan has expressed worry about the

Nafta, hut no external tariffs will he raised against Japanese products. The rules of origin will make it more difficult for Japanese companies to use Mexico as a spring-hoard into the US market.

The higgest losers may be those Asian countries whose cheap labour has been the comparative advantage which draws foreign investment. Many companies might now shift production to Mexico where there is additional gain in lower transportation costs.

Nancy Dunne

s trucks carry goods A back and forth across the international bridges, cities on both sides of the US-Mexican border suffer from the same smog, fed by the

same idling traffic. Hazardous wastes dumped near the border by factories seep into the groundwater. contaminating goods sold in

both countries. The Rio Grande is the main source of drinking water for Texans in the Lower Rio Grande Valley. But every day Mexicans use the river as a depository for raw sewage.

Environmental negligence is linking the two neighbours ever more closely as each year passes and, as the American Medical Association recently noted, the unchecked pollution "seriously threatening health and future economic vitality on both sides of the border

If the North American Free Trade Agreement fails to win approval by the US Congress, there is little bope that the hazards growing out of Mexico's industrialisation will be soon be addressed. Billions of dollars are needed for the clean-up and, on the Mexican side, for inspectors and their training. Both governments' budgets already are stretched.

The Nafta is expected to accelerate foreign investment and Mexico's industrialisation. Much of this could be in "dirty" industries. A 1991

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■ ENVIRONMENTAL ISSUES

Negligent neighbours

World Bank report found that between 1981 and 1989 about one-tenth of Mexico's export earnings were derived from pollution-intensive products such as cement, chemicals, pulp, paper, and petroleum, Yet, supporters of the Nafta argue, only increased economic development will provide funds for the clean-up and enforcement of environmental stan-

dards. The dehate over Nafta is dominated by suspicion and mistrust on both sides. Proponents of the pact believe that labour has taken up enviconmentalism because it is more intellectually respectable than protectionism.

President Clinton's proposal to address the Issue by creating a tri-national environmental commission in a side agreement has "the potential to undo much of the good created hy the Nafta," says the conservative Heritage Foundation. Protectionists will seize on the side pacts "as vehicles by which to reintroduce the trade restrictions Nafta is intended to eliminate.

Opponents of the Nafta portray it as a pact with the devil - an undemocratic government - made on behalf of heartless multinational corporations which have no other objectives hut to exploit Mexi-

can resources and workers. They say that is all very well to promise that Nafta will raise money for a clean-up, but that it is necessary to identify a fund-raising mechanism - sucb as a cross-horder tax - to ensure that the money for a clean-up is tbere.

The Clinton administration is trying to find an acceptable middle ground

Pro-Nafta groups are adamantly opposed to a border tax and the Clinton administration also does not like it much. Officials say it will raise only \$300m a year and raise tariffs. which are scheduled to be cut to zero, by an average 40 per

What is lacking in Mexico is not strong environmental law but environmental enforcement. For example, a recent study by the US General Accounting Office found that none of six US majority-owed maquiladoras - manufacturing plants that assemble components imported tax-free for reexport - studied had prepared the environmental impact assessment required under Mexican law.

In the supplemental agreement now being negotiated, the Clinton administration is trying to find an acceptable middle ground to improve enforcement. But much is heing demanded by influential members of Congress who carefully tend their green credentials. And most of the hustness lobby would like nothing to emerge from the current talks with Mexico and Canada.

The environmentalists want to establish a strong formal commission composed of the three countries' environmental ministers and an independent secretariat with environmental expertise. Its operations would be transparent and experts would play a strong cole in the decisions

Each country would enforce its own environmental standards. Mexico would allow its citizens to go to court if enforcement lagged. Corporate polluters could be punished after a dispute settlement process or through trade sanc-

The environmentalists insist Countries must be allowed to

against a foreign pcoduct.
Thus far, Mr Mickey Kantor, the US trade Representative. has been reluctant on most of these points. He worries that a stcong environmental panel would require the three governments to yield national sovereignty to a non-national

This sovereignty argument an-American Committee in a

"Plainly, setting tariffs is as much a sovereign act as specifying product standards or offering subsidies, and Gatt tariff hindings and disciplines on non-trade barriers are an intrusion into national soverelgnty," it says, "Constraint on sovereign powers is tha price that national governments have accepted in return for the its created increased access to foreign markets and specialisation among countries.

However, there is no consensus view yet on the level of interierence to be allowed in subverting domestic soverelgnty over environmental laws. However, says Ties Beyond Trade, this debate is "no more and no less an affront to Mexican sovereignty than Mexican efforts to seek constraints on US and Canadian application of dumping and other trade remedy laws would be an affront to US and

Canadian sovereignty."
*Ties Beyond Trade, Labour ond Environmental Issues under the Nasta. Canadian-American Committee, sponsored oy C.D. Howe Institute (Toronto) and Notional Plonning Association (Washington,

Nancy Dunne

that nothing he allowed to weaken local, state or regional environmental standards. restrict trade if it is produced through environmentally destructive processes such as the drift nets used to catch tuna, which also catch dolphin. Environmental measures

would be judged as trade barriers only if the decision-making process and justification for a contested measure is "arhltrary and capricious" and Intended to discriminate

was addressed by the Canadibook of essays entitled Ties Beyond Trade.* It pointed out that all international agreements bave binding commitments affecting sovereignty, hut these intrusions bave become acceptable over time.

the others have?" The idea of a western bemi-

1990, was greeted enthusiastically by most Latin govern-This was despite differences

■ EXTENDING THE TREATY

Conflicting objectives

MEXICO City Is not the only Latin American capital closely following the Nafta debate in Washington. For some countries, notably some smaller economies in central America and the Caribbean, the cnncern is that Nafta will divert trade away from them towards Mexico.

That concern has been intensified by criticism fcom the Clinton administration of the Caribbean Basin Initiative, which offers special treatment for the region's goods in the US market.

Some other governments are seeking claes about whether the pact can be extended southwards. The Clinton administration has professed itself open to the extension of the agreement to the rest of the region, citing Chile as the next candidate. Mr Mickey Kantor, US trade representative, has also spoken of Argentina and Venezuela joining the

But If Nafta falls in the US Congress - or is delayed so long that the Mexican government decides the political cost of the agreement is ioo high - this possibility becomes remote indeed. "The rejection of Nafta at this stage would gut the core of future hemisphere-wide trade arrangements," said the InterAmertcan Dialogue in a report

"If the 600lb gorilla doesn't have the political weight in Washington to secure e free trade agreement," says Mr Mark Falcoff of the American Enterprise Institute speaking of Mexico, "what chances do

sphere free-trade agreement, mooted by President George Bush as part of his Enterprise for Americas Initiative in June

over the trade benefits of such agreements. A study published early last year by Mr Refik Erzan and Mr Alexander Yeats, two World Bank economists, suggested the trade gains of free trade arrangements with the US would be limited for most Latin American countries.

This was mainly because for Latin policy, inasmuch as

most Latin countries - in contrast with some Aslan economles - already faced a relatively open market anyway in the US under the Generalised System of Preferences. Only Mexico and Brazil - the latter a likely loser from Nafta because its mix of exports is. of all Latin countries, most similar to Mexico's - stood to make significant trade gains from free trade with the US.

Percentage of trade with the US (1991) Argentina Brazil Chite 20.3 17.7 40.5 78.5 70.B Mexico 49.4

Source, MAF Orection of Trade Statistics

This conclusion is not universally accepted. However, there is much wider agreement that the benefits of free trade accords with the US are not limited to export gains. The bigger benefits may come in enhanced investment flows: market size is an important factor in the decisions of companies making foreign direct investment decisions.

Furthermore, the signing of additional protection for investors by locking in policies that pcovide some assurance that investments will not be expropriated by fnture govern-

Snch accords Improve the prospects for economic co-ordination among regional partners. importantly, at a time when the future of the world trading system is being ques-tioned, they offer some insurance against a more restrictive world trading environment.

Yet there is little donbt that, at least in some quarters of the US administration, the view of the benefits of free trade agreements with Latin America is different from that of the Bush administration.

Mr Kantor has spoken of the importance of Nafta in "harmonising npwards workers' standards." The Clinton administration's overall thrust

any guidance has been given in public statements, lays more emphasis on such social and environmental cnncerns than the Bush administration.

If this snggests free trade agreements heing nsed as levers to obtain improved social and working conditions in Latin countries, it contrasts with the Bush administration phllosuphy which implicitly assumed - at least nntil its final year in office - that encouraging growth would take care of other pcoblems.

The implications of this for the sovereignty of Latin governments are potentially substantial. Some of those admin-Istrations with less to gain than Mexico from an agree-ment - in other words, most of the continent - may thus be less disposed to free trade with the Clinton administration than they would have been with a Bush administration.

There are other complications. There is no doubting that, in contrast with the past, regional economic integration is now a practical possibility because of the openness of most Latin economies. There is no donbting either the politi-cal weight behind regional integration. However, wbat has developed is a patchwork of regional groupings with sometimes potentially conflicting objectives.

means the only one, provides an Illustration. Argentina is committed to Mercosur, the proposed customs union which groups it with Brazil, Uruguay and Paraguay. Brazil's economic instability threatens to destabllise the Mercosur timetable. But not only that: Argentina's recent good economic record makes it a potential candidate for Nafta, as Mr Kantor has noted.

Brazil, on the other hand, is economically a long way from the point at it which it could conceive of joining Nafta and the political interest in the topic in Brasília is - unfike in Argentina - currently lukewarm. Yet Argentina and Brazil are committed to negotlate together in Mercosur their trade arrangements with third parties such as the US. Something will have to give.

Stephen Fidler

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Lessons from earlier pact

WHEN US, Canadian and Mexican negotiators sat down to produce a framework for the North American Free Trade Agreement, they had three years of experience to draw on from the US-Canadian

The first trade accord had worked well in most areas and had successfully boosted trade. The hipartisan dispute settlement mechanism had been successful in defusing a number of disputes - more often to the Canadians' liking than the Americans' - hut both sides saw the need for important "clarifications" for the pro-cess of reviewing anti-dumping and countervailing duty cases, said Mr Jules Katz. former Deputy US Trade Representative.

Both agreements stress that "consulta-tion" is the best way to resolve disputes, hut they set timetables for settlement. In the Nafta, if a dispute is not settled within 30 to 45 days, a government can request a meeting of the cabinet-level, three-member free trade commission. If the commission cannot solve a dispute, a panel is selected from a roster of trade, legal and other

Most cases were expected to concern all three countries, Mr Katz said. Panels have four months to decide an issue and if a dispute is not resolved within 30 days after that decision, then the injured country can impose sanctions.

On the rules of origin question, there had been even more controversy and even more concern about "the pass-through" potential for foreign businesses using Mexico as an export platform to the north. The US and Canada, having fallen into a dispute about the level of domestic content in Hondas, were both anxious to clarify the means of calculating the level of North

American content. Negotiators apparently learned well their lessons from the FTA. When the agreement was finished, the Industry Policy Advisory Committee which advises Congress on the impact of trade agreements, gave an enthusiastic thumbs up: "The Nafta rules of origin have a level of clarity and detail for which the negotiators should be congratulated." the advisers said. "Tha Nafta customs provisions represent an improvement over the FTA and provide a sound basis for regulating and classifying goods."

Basically, goods are considered to he made in North America if they are manufactured there or products from elsewhere have been "substantially transformed" so that they are moved to a different tariff

Special rules were devised for vehicles, computers and textiles. To meet the concerns of Canada, which wants to give its vehicle factory-owners time to adjust to stricter rules, the local content standard will remain 50 per cent for four years, the current minimum under the FTA. It will then rise to 56 per cent for four more years

and reach 62.5 per cent after eight years.

Mexico will phase out its 20 per cent
computer tariff for the US and Canada and will seek to harmonise its external tariff with the US and Canada, lowering it to 3.9 per cent for all other countries. Computers will be required to contain a North American made motherboard, a hig component that usually accounts for 20-40 per cent of the value of the computer.

Nexico will phase out its tariffs for US and Canadian made textiles and apparel over five or six years. To qualify for tariff benefits, blue jeans, blouses and othar apparel will have to be made from yarn

spun in North America, and fabric would have to be made from North American fibres. Canada and Mexico will he allowed to ship a specified amount of clothing and textiles made from foreign materials to the US each year; the quota will rise slightly over five years.

The Nafta - huilding on much of the work done in the Uruguay Round of the General Agreement on Tariffs and Trade - has a high level of obligations on intellectual property rights. Mexico agreed to protect foreign-registered patents for pharmaceutical and other products for at least 20 years. This has been met with some grumbling among elderly Americans. many of whom send couriers to purchase large quantities of cheap medicine in

Copyright protection for films, records and television will meet international standards. One remaining problem is the lilegal pirating of satellite television broadcasts by Mexican cable systems. However, licensing contracts with the systems have remedied the problem for

the time being.
On investment. Mexico has agreed to liheralise many of its restrictions and to treat US and Canadian companies equal in most areas. Mexican liberalism has spurred a 10 per cent rise in foreign investment this year. During the first two months of 1993, more than \$1.68hn was invested in Mexican manufacturing, services, retail, transportation, communications and stocks. The US accounted for more than half of the total investment. followed by the UK. France, Spain and

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LONDON STOCK EXCHANGE

Bright close to a lacklustre session

By Terry Byland, UK Stock Market Editor

A DULL trading session was suddenly enlivened just before the close when a rally in early trading on Wall Street proved sufficient to lift the UK stock market from weakness to a modest gain. But equity strategists remained cautious, aware that the market is poised for the pricing this morning of the £1.3bn rights issue of Zeneca chares which opens the road to the demerger from ICI.

Traders nesitated to applaud the late upswing, which left the FT-SE 100 Index with a gain on the dsy of 6.3 at 2,836.1. However, there were hints from the stock index futures market that a large buyer had shown up and was expected to continue his operations today. More sceptical sources noted that the UK stock market may be merely confirming its recovery from the lower end of an established trading range.

A senior figure at one of the London stockbroker firms commented: "The UK stock market is still dominated at present hy trends in the derivatives markets."

For most of the session, share prices were on the downside in fairly unexciting trading. Losses were extended in the afternoon when the Footsie showed a fall of 5.1 at 2,832.6 aftar New York had opened easier. However, by the time

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Argente

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London closed for the day the Dow Average was about 4

points ahead. The tone of the session remained much as it has been for the past week. A small -£22.5m - rights issue from Avon Rubber had little direct effect, although it reminded the market of its fears of fundraising in both equities and government bonds and focused

attention even more on today's

news on the Zeneca issue.

Also disappointing London was New York's failure overnight to live up to the high promise displayed as the UK market closed on the previous evening. Also, firmness in sterling appeared to imply reduced expectations of a base rate cut. On the corporate scene,

insurance issues hrightened

after General Accident

reported more than satisfac-

TRADING VOLUME IN MAJOR STOCKS

tory first-quarter trading figures. But the overall market was slow to respond to Gen-Acc's news, or to a handful of minor corporate deals; Inchcape paid more than £40m for a 15.3 per cent stake in Gestetner, Alco bld £67.4m for Erskine House and Carclo paid

£57m for Arthur Lee. Trading volume was very unimpressive for most of the day, although business jumped

smartly when the market moved higher at the close. The day's Seaq total of 676.9m shares compared with 587.5m on Monday when retail, or customer, business only just scraped above the £1bn mark now regarded as the minimum acceptable daily total.

Some strategists regarded yesterday's performance, and especially the late recovery, as confirmation that the market has established a trading range and is now rallying from the low end, which is put at around the Footsie

2,770 mark. At Panmure Gordon, Mr Robin Aspinall sees the current rally as taking the index no further than 2,860. While political pressures continue to pile on the UK government of Mr John Major, economic news this week has been more

favourable. The fall of 1 per cent in producer input prices last month suggests that "much of the devaluation effect" has now fed through into costs, according to Nikko Securities.

Accoun	t Dealing	Dates
*First Dealings: Apr 19	May 10	May 24
Option Declaration May 6	May 20	Jun 3
Last Dealings: May 7	May 21	Jun 4
Account Days May 17	Jun 1	Jun 14

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MARKET REPORTERS:

■ Other statistics, Page 22

Christopher Price.

BRITISH FUNDS

"Shorts" (Lives up to Pive | Tress 12 2pc 1993; | Finding 6pc 1994; | Finding 6pc 1996; | Finding 6pc 1997; | Finding 6pc 1997; | Finding 6pc 1999; | Finding 6pc 1999

Peter John,

Joel Kibazo

Doubts on Sainsbury DIY talk

RETAIL specialists were mostly sceptical of rumours in the market yesterday that J. Sainshury was considering buying the Do It All interests

of W.H. Smith. Sainsbury already owns the profitable Homebase DIY business and is known to bave been looking for well-placed sites. One stores analyst said be believed that Sainsbury may have approached Smith to purchase selected stores, but that talk of a full-scale offer was probably wide of the mark. Smith owns the Do It All

chain in a joint venture with Boots. The business has suffered as the recession has soueczed margins in the highly competitive sector and analysts had pencilled in losses of around £28m for this year. While Smith had been considrejuctant partner in the venture, many specialists had been predicting a buyout by Boots as the most likely development.

It was also pointed out that the drugs group has first refusal on any deal by Smith and was not likely to want to swap one partner for another.

NEW HIGHS AND LOWS FOR 1993

Nor, it was argued, was it in keeping with Sainsbury's strategy to huy a 50 per cent stake

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Finally, a Sainsbury offer for a stake in a heavily indebted group such as Do It All would be seen as had for its own shares; in fact, they rose yesterday, closing 13 ahead at 481p in 4.1m turnover. NatWest Markets, Henderson Crosthwaite and Panmure Gordon were recommending the stock ahead of today's full year results. Boots held at 439p and W.H. Smith shed 7 to 458p.

Pilkington hit

Shares in Pilkington, the world's leading glassmaker, were hit in late trading by a flurry of rumours concerning its US arm.

The rumours surrounding Libbey-Owens-Ford, the 100-year-old Ohio glassmaker, ranged from insider trading to FBI involvement, After the UK market closed, Pilkington confirmed that the chief executive and two vice-presidents of Libbey-Owens had been suspended ing an internal inquiry. The company said there was no "evidence of major financial loss", but that there were allegations that the men had failed to follow corporate procedure".

One analyst commented: The market will not be particularly happy until it knows what the reasons are behind these axecutives being removed. Until then, people will guess and guess the

WOLZ Pilkington, which owns 80 per cent of Libbey, saw its

shares slide 5 to 128p.

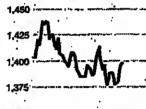
Unigate surprise The surprise decision by Unigate to postpone the flotation of its US restaurant business, which was announced only last month, hit sentiment in the shares. The company had hoped to raise up to \$250m through the float, valuing each share at between £15 and £17. However, market sources auggested that although the pre-placing had taken place at the upper range price, US insti-tutional investors had baulked at this and offered only \$14 a share. Unigate blamed poor weather conditions affecting sales for the postponement. Food manufacturing analysts said another factor had been that a number of poorly received small flotations in recent months in the US had soured investor sentiment. While Unigate said it intended to "complete an IPO of the business at an appropriate time", rumours in the market suggested Unigate might opt for a trade sale, with PepsiCo tipped as a likely candidate. Unigate fell 12 to 353p. NatWest Securities moved the

Shell wanted

form to neutral.

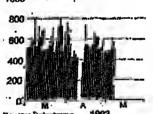
News of a potential disposal helped Shell Transport ahead of first-quarter figures tomorrow. Analysts were enthusias-

stock from long-term ontper-



Equity Shares Traded

Tumover by volume (million) Excluding: Intra-market



tic at the announcement that the group was hoping to sell most of its metals assets to Gencor, of South Africa, and record a net gain of 10 at 581p.

BP the first-quarter figures would beat most expectations. The house added that the company was well exposed to cyclical recovery through its chemicals side and should receive benefits from currency shifts.

shareholders' needs." ICI shed 21 to 1263p as the UK view of today's rights issue pricing for 1CI's hiosciences arm, Zeneca, took precedence over the more optimistic US

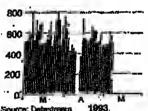
Glaxo Holdings rebounded from a small early loss to close 21 better at 634p in a flat market following a meeting between pharmaceutical ana-

the shares ticked up sharply shortly before the close to Hoare Govett was a keen buyer, arguing that, as with

a whole.

ties were strong buyers. Fisons

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Lee, up 12 at 174p.

climb 15 to 683p. Profit-taking continued in

to 35p with 18m traded. to have upgraded.

jumped 54 to 89p, after the ent of an agreed bid from Alco Standard Corpora-

FINANCIAL TIMES EQUITY INDICES

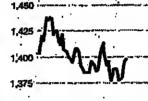
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Ord. die			4.1	9 42	4 4		4.20	4.27	4.52	

London report and latest Share locks

Tel. 0891 123001. Cales charged at 38p/oriente cheap rate. 48p at all other times.

FT-A All-Share Index

1,500 1,500 1,400 1,300 - 617 - 46 - 558 1,500 1,200 9,700



pany announced first quarter profits well above most analysts' expectations. The company made £41.9m against a

Meanwhile, Société Générale

Strauss Turnbull said the sale could "raise in excess of \$1bn" and prompt a turnround of about £140m in taxed profits. Analyst Mr John Toalster said: This is a major development and shows the company is baing more responsive to

stance. ICI's advisers were said to be testing a range of 550p to 650p for Zeneca's £1.3bn cash

lysts and the company's new management. NatWest Securi-

Cazenove, its joint-hroker, said

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EQUITY FUTURES AND OPTIONS TRADING

A LATE spate of active buying on the back of an improved Wall Street was the only feature in an otherwise dull day in the derivatives market,

writes Joel Kibazo. In futures, the June contract on the FP-SE 100 Index opened strongly at 2,843, a 15-point premium to the underlying

cash market. However, this early strength soon fizzled out, leaving the contract to drift lower. It traded in a 10-point range between 2,830 and 2,840 for the next few hours.

Further selling during the afternoon saw June fall below the morning's trading range and it reached the day's low of 2,823 at around 3.15pm.

It was the buying spree that followed the recovery of Wall

upturn in the June contract and it ended at 2,842, up 1 from its previous close and around 3 above its fair value premium to cash of about 5. Turnover was 8,063 lots, although dealers suggested that a big buyer today may

boost turnover. The traded options saw reduced volume of 26,243 con-

Street that brought about an tracts with the index options once again the most active. Some 8.525 lots were dealt in the FT-SE 100 option and 4,818 in the Euro FT-SE. Glaxo was the busiest stock option with a total of 1,409 trades, followed by BP at 1,083. British Airways was also active.

Dealings will begin today in an additional seven stock

shares were 2 lower at 172p tion of the US for £67.4m. Eurocopy firmed 4 in sympathy. following a downgrade hy SGST which decided its view of The recent market speculathe group's scientific instrution that Incheape had its eye ments business was too option Gestetner, the office and mistic. The house cut its 1993 photographic equipment disprofits forecast by £10m to tributor, was confirmed by £130m and its 1994 estimate to news that it was taking a 15.3

£150m from £170m. per cent stake in Gestetner. Gestetner's ordinary shares closed 7 ahead at 130p, while Insurer General Accident rose 18 to 591p after the comthose of Inchcape fell 6 to 583p on the news. Media conglomerate Pearson fell 7 to 436p as Hoare Govett reiterated its view that the loss of £29m a year earlier. stock was fully valued and

Among engineering stocks, the late news that VSEL bad won the contract to huild the Royal Navy's new LPH helicopter carrier took the market by surprise. It led to a hectic bout of trading causing a backwardation - a situation in which the bid and the offer price are temporarily reversed. By the close the shares had jumped 35

Monday's suspension of dealings in Arthur Lee and Carclo pending an announcement was lifted after confirmation that the latter was to make an agreed hid for the former. Shares in Lee jumped 16 to 158p, while Carclo gave up 13 to 210p, on the news. William Cook moved in sympathy with

A £22.5m rights issue from motor components and tyre manufacturer Avon Ruhber caused the shares to fall 31 to 501p.as it unveiled a 22.2 per cent increase in interim profits. GKN shed 5 to 452p, with SG Warhurg said to have downgraded profit axpectations, and NatWest Securities negative on the motor sector as

The fading bid talk around United Biscuits turned investor attentions back to more fundamental considerations in the sector and Cadhury Schweppes gained 6 to 449p, and Tate & Lyle added 6 to 388p. UB lost 9 to 425p. A big buyer in Iceland Fro-

zen Food helped the shares

Ratners, the shares declining 5 RMC Group jumped 15 to 700p with SGSC positive and

Shares in office equipment distributor Erskine Honse

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LONDON SHARE SERVICE BRITISH FUNDS - Cont. BRITISH FUNDS - Cont. | No. high low lot 122.4 116.4 9.73 122.4 116.4 9.73 12.4 105.4 8.79 12.4 105.4 8.79 12.4 12.4 8.88 5.62 5.65 5.65 5.74 5.75 5.85 6.07 6.07 6.37 101/4 125/3 204/4 164/3 138% 94% 6.16 118% 9.74 97% 8.48 98% 8.48 131% 19.08 Treas 11 4pc 2003-7 ... Treas 61₂pc 2007 #‡... 61₂pc 2007 B‡‡.... 131₂pc 104-8 1285 100,2 108,2 1337₆

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US\$300,000,000 Undated Primary Capital Floating Rate Notes (series 2)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period (184 days) from 12th May 1993 to 12th November 1993, the Notes will carry interest at the rate of 31/2 per cent. per annum.

The interest payment date will be 12th November 1993 Payment, which will amount to US\$178.89. per US\$10,000 Note and US\$894.44 per US\$50,000 Note, will be made against surrender of Coupon No.16.

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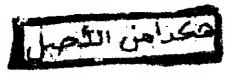
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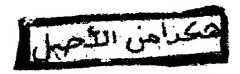
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CURRENCIES, MONEY AND CAPITAL MARKETS

LIFFE LONG GILT FUTURES OPTIONS 930,000 64ths of 100%

Sep 2-52 2-11 1-40 1-12 0-54 0-37 0-24 6-18

0.01 0.02 0.08 0.23 0.45 0.92 1.17

N NOTIONAL SPITISH CILT **
10,000 22nds of 100%

Close High Low Prev.
m 102-55 102-30 102-18 102-28 102-25 102-07

Jun 103-25 103-30 103-15 http://doi.org/10.2-30 102-28 102-25 103 Estimated volume 27546 (28368) Previous day's open int. 77277 (74960)

Glose High 94.75 94.80 94.99 94.99

stimeted volume 51184 (45822) Terious day's open int. 168034 (183880)

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Crose High Low 94.05 94.07 94.02 94.18 94.17 94.10 94.08 94.10 94.03 93.78 83.00 83.75

Est, Vol. (Inc., figs. not shown) 558 (1264) Provious day's open int. 16848 (17700)

Estimated volume 1683 (2305) Pravious day's open int. 23256 (23096)

High 95.17 95.83 95.81

Estimated volume 3894 (2417) Previous day's open int. 48275 (46772)

Estimated volume 11430 (12731) Pravious day's open int. 50444 (49165)

Contracts traded on APT. Closing prices shown.

1-mile 3-mile 6-mile 12-mile 1.5382 1,5311 1,5209 1,5035

95.83 95.80 95.83

THERE MORTH RIPO SHESS FRANC SFR 1st points of 100%

95.11 95.61 95.78 95.87

THREE MO USUA 1,000

FT-4E, 100 BIDEX * 920 per fell lector point

POLINO - DOLLAR

FT FOREIGN EXCHANGE STATES

THREE BEHTH STEELING * \$300,800 points of 100%

THREE MONTH ECO ECO for points of 100

SEM GOVT. BORD (80

Estimated volume 3543 (2047) Traded exclusively on APT

2-62 1-63 1-03 0-30 0-11 0-03 0-01

LONDON (LEFE)

05 THEASURY SONDS 8% * \$100,000 Strain of 100%

Jun 111-30 Sep 110-21

FOREIGN EXCHANGES

Dollar holds on to gains

THE DOLLAR beld onto recent gains against European currencies yesterday, while the pound staged a respectable recovery from its post-local election lows, writes Emma Tucker.

In a generally quiet day's trading, the dollar was firm against the D-Mark at around \$1.61 with traders still heartened by the currency's valiant performance last week in the face of poor employment data. Nonetheless, the market remains wary of the dollar with a number of analysts saying they expect the latest rally to peter out at about DM1.62

tive US economic data soon. The pound's modest 2 pfennig recovery was fuelled by nverseas buyers, suggesting that foreign investors were not too bothered by the Conservative party's spectacular defeat in the county council elections and Newbury by-election.

unless there is some very posi-

Sterling slipped to around DM2.46 on Monday as domestic investors took fright, but climbed back by the London close to DM2.48 yesterday, still below last month's highs but not by much.

News that UK housing starts rose strongly in the first quar-ter made little impact on the currency.

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Way 11	Latest	Close
E Spct 1 growth 3 meaths 12 months	1.5410-1.5420 0.38-0.37pm 1 07-1.05pm 3.88-3.80pm	1,5320 1,5330 0,39 0,38pm 1,09 1,07pm 3,98 3,68pm
Forward premi dollar	ums and discounts	apply to the US

STERLING INDEX

8.30	200	80.1	80.3
9 00	an	80.2	60.3
10.03	e	802	60.2
11.00	Om	80.2	80.0
Moon		80.2	80.0
1.00	pm	80.2	80.1
200	pm	60.2	79.9
3.00	Om	80.2	80.1
4.00	pm	60.4	79.9
(URRENC	Y RAT	ES
	100.00		

May 11	Tate	Charletony Riginal	Currency
Sering	100 5275 6785 6785 11.50 11.50 11.50 19	0.915363 1.41806 1.79855 15.8612 46.2981 46.2981 2.5981 2.5981 2.5981 2.5981 156.414 9.51467 165.518 10.3581 2.03707 MA	0.789389 1.21396 1.54464 11.7541 40.2154 7.5393 1.95908 2.19382 6.59178 1808.32 135.356 8.26383 9.01302 1.77238 266.225 0.804371
\$ Clarik rate rele These are not qu			

CURRENCY MOVEMENTS

May 11	Bank of England Index	Morgan " Guaranty Changes %
Sterling	80.4	-30.12
U.S Dollar	64.2	-13.70
Canadian Dollar	94.0	-7.A4
Austrian Schilling .	114.3	+15.21
Belgian Franc	1150	+1.51
Carrish Krone	117.4	+11.31
D-Mark	124.1	+31.21
Swiss Franc	110.8	+18.32
Dutch Guilder	119.3	+20.91
French Franc	109.9	-6.55
Lira	\$1.6	-33.13
Yen	169.7	+108.38
Poseta	95.7	-26.90

Average 1965-100) "Rates are for May 10

OTHER CURRENCIES

May 11	£	S
Argentine	1.5370 - 1.5385	0.0980 - 0.0980
Australia Brazil	2.2000 - 2.2020 54141.8 - 54177.6	1,4275 - 1,4285 35145.5 - 35146.0
Fintand	8.4925 - 8.5445	5.5275 - 5.5475
Greece		215,550 - 219,90
Hong Kong		7.7290 - 7.7300 1842.00 - 1844.0
KornelStrl	1217,00 - 1236.65	795.40 - 802.60
Kurrak	0.46350 · 0.46450 50.95 · 51.05	0.30100 · 0.30150 38.05 · 33.15
Malaysia	3.9496 - 3.9696	2,5690 - 2,5700
Menico	4.8265 · 4.8295	3.1320 - 3.1340
Soud Ar	2.8415 · 2.8455 5.7645 · 5.7760	1.8440 · 1.8485 3.7495 · 3.7505
Singapore	24840 - 24900	1.6150 - 1.6160
S.Af (Cm)	4.8900 - 4.9015	3.1825 - 3.1845
SAL (Fig	7.1116 - 7.1270 39.85 - 40.00	4.6150 · 4.6250 25.65 - 25.95
UAE	5.8445 - 5.6576	3.6715 - 3.6735

MONEY MARKETS Money easy in quiet day

The Bank of England

forecast a liquidity shortage of

£1hn in the morning which was partially relieved in the early round after the Bank

provided liquidity of £702m.

to £1.4bn. Further operations, in which the Bank purchased

£700m of bills, removed the sbortage in the afternoon.

Overnight rates started the

day at about 5% per cent,

dropping later to 5% per cent

and ending at about 4 per cent.

Further out, three month

money ratea were slightly firmar at 6 per cent on the

offered side and 5% per cent on

The June sterling futures

contract hit a high of 94.06, ending the day slightly lower

at 94.05. Although the September contract dipped to a low of 94.10 is 5

day to end two basis points higher at 94.16.

German call money was

day's levels of 7.75 per cent in

quiet trade, with the market expecting another small cut in

the Bundesbank's securities

the bid side.

There was no late assistance.

The shortage was later revised

A quiet day on the UK money markets saw overnight money fairly steady at about 6 per drift down to 4 per cent, and interbank rates slightly firmer. One dealer commented that speculation of an early rate cut to boost tha govarnment's Dealers said there was little standing was premature.

reaction to reports that the government's back benchers were pushing for a cabinet reshuffle following the Conservative Party's disastrous per-formance in local elections last week. There was also considerable scepticism that the chancellor would be repiced.

"Many of us wonder what the point of replacing him would be," said one dealer. Things are a mess, but most of the mess was created so long ago that it is not really relevant to the present situation."

UK clearing bank base lending rate 6 per cent from 26, January 1993

A statement from the prime minister that he had "not even begun" to contemplate any changes to his cabinet, made little difference to sentiment. With dealers not yet convinced about the strength of economic recovary, many expect the government to cut base rates again at some stage over the summer. They are not, however, pushing their unchanged from the previous case particularly strongly and the three month interbank rate - a good guide to where the market thinks base rates will be in three months - remained repurchase rates this week.

The pound closed against the shead of Tuesday's referendum dollar just under a cent stron- on Maastricht. Although the

ger at \$1.5420. The Bank of Spain dipped in and out of the market buying pesetas for D-Marks as the Spanish currency continued to come under selling pressure.

"The fundamental problem with the peseta is that the Spanish economy is very weak and the currency is perceived as being over valued," said Mr Mark Austin, of Midland Global Markets.

Mr Austin said the Spanish authorities were aiming to avoid a devaluation of the currency before the general election next month. Before then, however, the government will have to defend what are expected to be a very poor set of first quarter employment statistics -showing an unemployment rate of over 20 per cent · while maintaining interest rates of

15% per cent. The Danish krone was also under some pressure yesterday

opinion polls are pointing to a majority "Yes" vote, dealera said that investors were not heavily exposed on the krone.

"The most likely thing is that there will be a yes vote. hnt people aren't taking any risks," said one. In France the franc showed little reaction to the 1993 mini-

budget. Nor did details of a bill making the Bank of France independent have any impact on the currency. Dealers said the budget confirmed rumours of tax and spending increases and contained no real sur-

Mr Edmond Alphandéry, the economy minister, said French interest rates could fail below Germany's given economic fundamentals. "As our fundamentals appear better than Germany's, nothing - and the Bundesbank chairman has said this - prevents French rates falling under theirs," he said.

EMS	EUROPEAN CURRENCY UNIT RATES							
	Ecu Central Rates	Currency Amounts Against Ecu May 11	% Change from Central Flate	% Spread vs Weakest Currency	Dirergence Indicator			
rish Puot Detch Guilder Seiglan Franc Name Petropiese Escado Franci Franc Jenish Pesete Jenish Roose	0.809996 2.20045 40.2802 1.95294 180.624 8.54968 142.150 7.44634	0.804371 2.19362 40.2154 1.95508 181.608 6.99178 143.563 7.53503	-0.60 -0.31 -0.18 0.11 0.54 0.96 1.15	1.88 1.47 1.31 1.64 0.60 0.51 0.11 0.00	37 222 15 15 -0 -28 -17 -48			

	-	2 2 W UT	and critic	-		LUNIT	-				
tanges.	are for	East a	positive	change d	pacins I	E Work	CURRENCY.	. Oferargen	m shows	the rate t	STYLES.
O'REC'S	the per	centage	difference	og betreye	-	ctual ro	artest and	ECU CAPITE	al cates is	W 2 CRIT	CY. STA
P.Dellar	ретрій	ted per	contage o	ierkation a	the a	STEDCY'S	merket	rate from	As Eau or	, ates, lepton	-
17/9/93	Sterling	and to	dan Ua	auspende	d from	BIML A	dicateen	calculates	by Fiee	ocial Terror.	

May 11	Day's									
S	1,5325 - 1,5450 1,9455 - 1,9675	1.5415 - 1.5425 1.9665 - 1.9675	0.39-0.37cpm 0.23-0.14cpm	2.98 1.13	1.10-1.07pm 0.49-0.35cm	2.61				
etherizada .	2,7650 - 2,7875	2.7775 - 2.7875	4-2008	-1.62	1-1de	-1.26				
elolom	50.50 - 51.05	50.95 - 51.05	4-9059	-1.53	13 1945	-135				
drentest	8.5120 - 9.5740	9.5600 - 9.5700	43-73-019ds	-7.64	107-14lada	-6.23				
etand	1.0065 - 1.0250	1,0200 - 1,0218	0.19-0.22008	-241	0.52-0.5649	-2.12				
ministry	2.4830 · 2.4825	24775 - 24825	39-1-20089	-212	%-14ds	-1.61				
m lendra	228.00 - 231.10	230.10 - 231.10	246-260cd4	-13.17	625-6634s	-1 L17				
Debri	180.40 - 182.55	181,75 - 162.05		12.77	421-45464	-8.73				
uly	2266.20 · 2301.60	2297.76 - 2238.75	G-11 frauda	-5.22	26-2901	-4.79				
DLACA	10.4850 - 10.5090	10.4775 - 10.4875	2-2-screda	-2.00	23-4 hds	-1.45				
2001	8.2980 - 8.3815	8.3575 - 8.3675	1 - 1	-2.33	33-41-04	-1.79				
AACRU	11.3370 - 11.4625	11.4925 - 11.4625	23-4140mm	-3.73	75-81200	-2.09				
than	170.70 - 172.10	171.00 - 172.00	12-1-100	3.06	1 ¹ 4-1 ¹ 4900	2.77				
rafring	17.34 - 17.48 2.2325 - 2.2550	17.42 - 17.45 2.2450 - 2.2550	24-34 orods	-1.85	412-61201	-1.26				
etzerland .	12635 - 12715	1,2690 - 1,2700	8 24-0 29cds	-2.50	0.44-0.4905	-1.47				
						_				
emmercial r 90-3.80em		he and of Landon tres	ilog, Six-month for	नवर्ग क्रीस	2.13-2.05pm . 1	2 Month				

** **	Day's	- 1		%	Thron	7
May 11	spread	Close	Circle (storett)	pi	(सम्बद्ध	P.
nct	1,5325 - 1,5450	1,5415 - 1,5425	0.39-0.37qpm	2.96	1,10-1.07pm	2.81
reland†	1.5060 - 1,5160	1,5100 - 1,5110	0.70-0.67cpm	5.44	1.90-1.85pm	4.97
anada	1.2710 - 1,2755	1,2745 • 1,2755	0.18-0.21cms	-1,84	0.60-0.65du	-1.90
letherlands .	1.8000 · 1.8105	1.6045 • 1.E055	0.68-0.71cds	-4.02	1,81-1,87-05	-4.05
elgfunt	32.35 - 33.15	33.05 - 33.15	12:00-14:00ods	-471	32.00-36.00m	-4,11
enmark	6.1955 - 6.2250	6.2000 - 6.2050	4.25-6.750 eds	-10.64	10.50-14.000%	-7.90
ermany	1.6035 - 1.6140	1,5080 - 1,5090	0.65-0.66pfds	-4.89	1.76-1.79da	-4.46
ortugal	149.45 - 149.70	149.50 - 149.70	200-210cds	-18.44	370-39004	-10.18
	117,75 - 118.45	118.05 - 118.15	145-162mile	-15.09	360-37564	-12.45
aly	1479.00 - 1494.00	1490.25 - 1490.75	10.10-10.90theds	-8.45	28.65-29.60da	-7.81
orway	6.7865 - 6.8165	0,7950 - 6,8000	2.60-3.20mmd4	-5.12	6.85-7.8546	-4.3
rance	5.4095 - 5.4395	5A200 · 5A250	2.30-2.45cds	-5.28	6.17-6.37ds	4.83
woden	7,3945 - 7,4410	7.4275 - 7.4325	3.50-4.50erests	-6.70	10.10-11.30:55	-8.78
202A	111.00 - 111.80	111.16 - 111.20	0.01-0.02/496	-0.18	0.01-0.02	-0.05
estria	11,2900 · 11,3500	11,3330 - 11,3380	4.20-4.50gradu	-4.61	11.25-12.05da	-4.11
witzertand .	1.4516 • 1.4630	1,4580 • 1,4590	0.25-0.29cd	-2.20	0.70-0.74da	-1.57
art	1.2105 - 1.2175	1.2140 - 1.2150	0.56-0.55cpm	5.48	1.51-1.49pm	4.94

EURO-CURRENCY INTEREST RATES										
May 11	Short term	7 Staye potics	(Ine Month	Thing Marthy	Six Months	Chue Chue				
Sterling US Ucliar US Ucliar US Ucliar Can. Dollar Dulata Gallelar Sovies Feora J-Mark French Franc Belgian Franc Yen Zanfeln Krone Aslan SSing Somrish Preseta	55.55.55.55.55.55.55.55.55.55.55.55.55.	54 - 54 54 - 24 54 - 44 74 - 74 54 - 74 54 - 164 72 - 76 54 - 36 13 - 24	54 - 54 - 74 - 74 - 74 - 75 - 75 - 75 -	6 - 54 34 - 34 57 - 47 74 - 74 75 - 74 76 - 74 107 - 74 114 - 34 114 - 34 124	######################################	84 - 5134 - 6154				

Portuguese Esc	1812 - 18	19 - 1812	18 - 174	16 - 154	14 - 13%	134 • 1
ong term Eurodollaris	bro years 4/4	312 per cent th	te years 42-4	y bar cast par	years 5-47s pa	cest, fire ;

EXCHANGE CROSS RATES												
Bay 11	Ł	*	DM	Yea	F Fr.	6 At.	H FL	Lira	CS	a Fr.	Pts	Eco
£	1.	1.542	2.480	171.5	8.363	2.250	2.763	2298.	1,967	51.00	181.9	1.270
	0.649	1	1,606	111.2	5.423	1.459	1.805	1490	1.276	33.07	118.0	0.82
1000	0.403	0.622	1	69.15	3.372	0.907	1.122	926.6	0.793	20.55	73.35	0.512
YEK	5.831	8.991	14.46	1000.	46.76	13.12	16.23	13399	11,47	297.A	1061	7.40
F.R.	1.198	1.844	2.965	205.1	10.	2.890	3.328	2748	2.352	80.98	217.5	1.51
an.	0.444	0.653	1.102	78.22	3.717	1	1,237	1021	0.874	22 67	80.84	0.56
NR.	0.359	0.554	9.891	61.62	3.005	0.806	1	825.7	0.707	18.33	65.36	0.45
Lira	0.435	0.871	1.079	74.83	3.639	0.979	1.211	1000	0.858	22.19	79.18	0.66
C S	0.508	0.784	1.261	87.15	4.252	1.144	1.416	1168	1	25.93	92.48	0.84
SPr.	1.961	3.024	4.863	336.8	16.40	4.412	5.457	4500	3.857	100	358.7	240
Pta	0.550	0.848	1.363	94.28	4.598	1.237	1.530	1263	1.081	28.04	100	0.80
Box	0.787	1.214	1.963	136.0	6.586	1.772	2.191	1000	1.548	40.18	143.2	1.

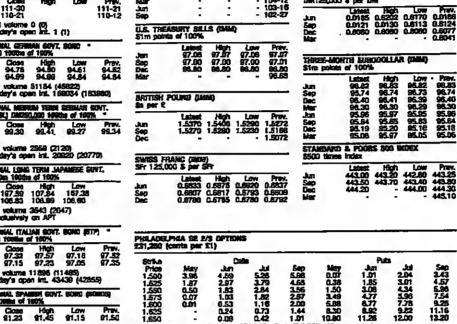
FT LONDON INTERBANK FIXING (11.00 e.m. May 11) 3 morates US dollars bid 3A offer 3A bid 31s

The fixing rates are the arthrestic recent rounded to the meanest one-distance, of the bid and offered rates for \$10m quoted to the market by live raterance burdes at 11.00 a.m. each working day. The bents are National Westminster Bents, Bents of Tolgo, Deutsche Bents, Banque National de Paris and Margan Quarenty Trust.

		MONE	Y RAT	ES					
NEW YORK	Treesury Bills and Bonds								
Lunchthme			One month						
Prime rate Broker loan rate Fed.funds Fed.funds at intervent		Three month. She month. One year	1	2.98 Sec 3.09 10- 3.24 30-	Age	5.83 5.80			
May 11	Overnight	One Month	Two Months	Three Months	Six	Lomberd			
Peris Zurich Amsterdam	5 ¹ g-5 ³ g 7.87-8.00		7.50-7.80	7.40-7.50 7.10-7. 7.5-7-1 443-5-4 7.52-7.57		8.50 8.00			
Miteri	34-37 1112-113 713-75 778-8	11-113 7 3-73 73-8	776-8	10H-10H 7-7-7-7 74-77	738-734				
	LOND	ON M	ONEY	RATE	S				
May 11	Oversign	t 7 days	One Month	Three Months	Str Months	One			
Interbent Offer American Held Standards Held Standard Des Local Authority Depa. Local Authority Bonds Discount Milk Depa Company Deposits Pleasen House Deposits Pressors Hills (Buy) Bent Held Standard Deposits Treesays (Bills (Buy) Bent Held Standard Deposits Treesays (Bills (Buy) Bond Treesays (Bills (Buy) Bills (Buy) Bills (Buy) Bills (Bills (Buy) Bills (Bills (Buy) Bills (Bills (Buy) Bills (Bills (Bills (Buy) Bills (Bills (Bill	64 -	51 ₂	55555 - 5555 - 2444 2444	5565 655 - 4445	5555 3555 - 5445	84 84 84 			

ECU United Dap. 8kg			81g	8	捕	7%
The state of the s						
Treasury BBis (evil); one-mos BBis (evil); one-month 6-s p	er cent on		SA DE CENC	Transactor 10	Automobile 6	
decreat 5.2900 p.c. ECEO		38000 Da	ORT PERSON.	Marke up der	And 50 1	003 6
raise for period May 28, 19 April 1, 1963 to April 30 , 1	93 TO JUNE	22 , 1983 :	MS no loca	4.7.25 p.c.	Performe (a	ste for period
dive natice, other street of	RO TORKE		505 G230 Figs	r Big krom N	ov 1 100%	Rendy Decemb
Rate for states of 7 days no	800 5 h LI		E OF TAX DES	TOS 68 150	R Bernet C	telet from and
over held under one month months 4% p.c.; nine breis	24 pc.	DECIMA	भ्य शास्त्र ३५५ ह	Zi no fee	मार्गामा है	A.C.; Str-rains
withteness for cash 14.n.c.		2 part 014		- 4 ber Hit	# Ja 127, 15	eri' nabdang

FINANCIAL FUTURES AND OPTIONS 0.37 0.18 0.06 0.02 0.01 0.29 0.43 0.61 0.84 1.12 1.44 1.81 2.21 Jen 0.03 0.08 0.18 0.41 0.80 1.27 1.75 2.24 1.29 0.82 0.42 0.17 0.06 0.03 0 0.01 0.08 0.19 0.41 0.65 0.89 1.78 1.42 1.10 0.83 0.61 0.43 0.30 0.20 1.12 0.88 0.65 0.44 0.27 0.14 0.07 ne total, Calls 11248 Puts 6090 men let, Calls 123491 Puts 12349 300 0.03 0.10 0.27 0.49 0.72 0.65 1.20 Sep 0.07 0.12 0.20 0.32 0.49 0.89 0.90 1.13 \$80 0.78 0.58 0.36 0.23 0.15 0.10 0.06 0.15 0.25 0.39 0.61 0.81 1.30 1.74 2.21 volume total, Calls 11176 Pets 3250 dev's com lot. Calls 190271 Pets 770 CHECAGO



Strke		Colle				Puts	
Price	May	Jun J	ul 5ap 5 5.86	May			Sep
1.500		4.59 5.2	5 5.86	0.07	1	D1 2.04 85 3.01	3.43
1.525		297 37		0.38	1	.85 3.01 .08 4.34	5.96
1,550	0.50	1.83 2.8 1.03 1.8		1.50	3	77 5.96	7.54
1.575	0.07	0.53 1.1		5.88	:	# 7%	9.25
1.600 1.625		0.24 0.7		8.30		8 913	11.16
1,650		0.09 0.4		10.80		26 12.00	13.20
Prendere de	's open int	Cate 872,780 als 18,450	Puth 588	502 UN 0	urrance		
7 to 15 YE	AR 10% NOT	TONAL FRENC	E BOND (ATIF) FUT	TRES		
	Open	Sett price	Crumpa	High			† Open kd
June	117.14	116.94	-0.14	117.22	116.		165,300
September	118.92	116.72	-0.12	116.96	116.		51,519
December	116.42	116.22	-0.12	118.42	116.	24 -	4,817
Estimated w	dume 92,847	† Total Ope	n Interest 2	29,816			
THERE MON	TH PISON F	UTURES (MA	NY (Paris I	objebanik i	ofiered.	rule)	
dune	92.59	92.47	-0.06	32.59	32		
September	93,31	93.23	-0.64	93.34	23.		
December	93.65	93.62	-0.01	93,70	93		
Merch	93.85	83.88	+0.04	93.59	93.	5 2 •	22,373
Estimated vi	Jume 41,920	† Total Ope	n Johnson 19	2,409			
CAC-40 FUT	URES (MATE	7) Slock Ind	EK .				
May	1879.0	1853.0	-25.5	1879.0	1843		23,580
Auri6	1861,5	1836.5	-26.5	1681,5	183		
Suby	1858.5	1834.5	-26.5	1659,5	1842	10 -	79
September	1870.5	1856.5	-28.5	1870.5	:87	.5 .	12,516
Estimated w	Aurite 20,553	† Total Ope	n Interest 66	3,370			
ECU BOND	(MATE)						
Auro Estimated w	112,52 suma 2,478	11Z-50 Total Open	+0.06 Interest 11.	112.82 780	112.	E8 -	11,780
DPTION ON	CONG-TERM	FRENCH BO	D (MATE)				
		Car				Pucs	
Strike	Jun		er Decem	ber	June	September	December
115	1,0				0.12	0.78	1,37
117 118	0.1			•	0.40	1.22	

May	1879.0	1853.0	-25.5	1879	1843	<u> </u>	21
June	1861.5	1836.5	-26.5	1681	5 1833		26.
July	1859.5	1834.5	-26.5	1659.	1842	10 -	
September	1870.5	1858.5	-28.5	1870.	5 1877	.5	12,
	ume 20,553 †	Total Open I	interest 6	9,370			
SCU BOND (MATE)						
,Ame	112,52	112.50	+0.06	112.8	112.	48 -	11,
Estimated Vol	uma 2,478 †	Cottal Open In	lorest 11	.780			
OPTION ON C	ONG-TERM P	ENCK BOND	(MATE)				
		Catte				Pucs	
Strike	June	September	Decad	nber -	June	Section	Decera
115	1,07				0.12	0.78	1
117	0.36	0.96		•	0.40	1.22	
118	0.10	0.56		•	1.12	_	
119		0.30		5.57	-	2.53	
120		0.14					
Open Int	149,656	102,760		023	158,558	88,374	12,0
Estimated vol	uma 24,315 †	Total Open I	sterest 5	53.544			
	Open Interest						

BASE LENDING RATES

_	
*	,
Adam & Company 6	•
Affed Trust Bank 6	•
AlB Bank 6	
Chienry Ansbecher 6	
6 & C Merchant Bank _ 1	
Bank of Baruda 6	
Banco Babao Viscaya 6	
Bank of Cyprus 6	•
Benk of Iroland6	1
Bank of India e	
Berrix of Scotland	
Bardeys Benk 6	
Brit Sk of Mid East 6	
GBrown Shipley 6	
CL Bank Nederland 8	
Cabarik NA 6	

Courte & Co ...

Florencial & Gen Rank 7 Robert Fleming & Co 6 Groberk. @Guirrees Mehon Hebib Benk AG Zurich _ 6 Witembros Benk _ _____ e Hartable & Gen inv Bit. e CHIE SOTALE Libyds Bank 6

Mount Benking 2 NgtWeetmingter 2 5 Nyiredit Morigage Brik 6.5 Office Brothers 2 2 Ployburghe Bank Ltd ... 6 Royal Sk of Scotland ... 6 Smith & Willman Secs . 6 Standard Chartered 8 Unibank pic

of British

10 May 1993

RAND MINES LIMITED DIVIDEND DECLARATION

Meghal Bank Ltd 6 McDonnet Dountes Bir 9

The directors have declared dividend No. 107 as an interim dividend in respect of the year ending 30 September I 993 as follows: Amount (South African currency) 100 cents per share Last day to register for dividend (and for changes of address or dividend instructions) 28 May Register of members closed from 29 May 8 june Shares trade ex-dividend in Johannesburg and London) June Currency conversion date for sterling payments to shareholders paid from London 11 June Dividend warrants posted Payment date of dividend 22 June Raio of non-resident shareholders' tax 15 per cent Holders of share warrants to bearer are notified that the dividend is payable

on or after Tuesday, 22 June 1993 upon presentation of coupon No. 111. The full conditions of payment of this dividend may be inspected at or obtained from the offices of the share transfer secretaries in johannesburg or the offices of the United Kingdom registrars, transfer and paying agents in Beckenham, Kent By order of the board RAND MINES (MINING & SERVICES) LIMITED

per J. W. GOATCHER RECISTERED OFFICE:

UNITED KINGDOM SECRETARIES: Randcoal House 21 Chaplin Road Viaduct Corporate Services Limited 18 Charterhouse Street Movo 2198 London ECIN 6QP (P.O. Box 7886), Sandton 2146)

UNITED KINODOM RECISTRARS: Barclays Registrars Bourns House, 34 Beckenham Road. m, Kent BR3 4TU

(Incorporated to the Republic of South Africa) Registration No. 01/00858/06 RAND MINES

MONEY MARKET FUNDS

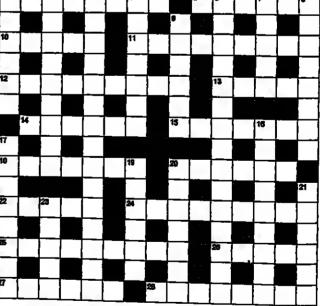
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CROSSWORD

No.8,148 Set by HIGHLANDER

#25,000-040,500 ____ 1.25 #30,000-62< 900 ___ 1.25 #5,000-69,000 ___ 1.75



ACROSS 1 Come across extra flat, round plate in front (8)
5 Unfolded Sunday papers, ini-tially to look at distribution

(6)
10 Half hope to profit from family residence (5) 11 Science experiment on unfin-

ished shift (9)
12 Man from the north uses diamond lead to win the queen

mond lead to win the queen
(9)

13 Finding man to work on roof backfired again (5)

14 Connections to cells done as arranged (6)

15 Difficult problem to face without a girl (7)

19 Dvarturned intention winding inclinde Speaker in agreed suspensions (9)

17 Vineyards need helper, having lost one dedicated campaigner (8)

19 Took meals on china, revealing taste (6)

18 Fruit on hush went up with it (7)
20 Fxcellent line in elaborate and showy clothing (6)
22 Clever way to hide damage (5)
24 Record has a beat expressed with mathematical power (9)
25 Listed badly trapping him inside – so pull apart (5)
26 Look after sister in hospital (5)
27 Fruit intended to have no core – a fantastic idea (7)
28 Get in the way of some dim pedestrian (6)
29 Five-raising preacher guillotined (5)
20 Solution to Puzzle No.8,147

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27 Double clanger (6) 28 Old coach always included cheap accommodation on

Had raised trouble over

flower (6) 2 Group of wines therefore goes off, so to speak (3)
Organisa the cops and use an easily solved crime (4,3,4,4)

4 Makes cryptic note second to be rewritten (7) 6 Aim barmless cartridge to run minimal distance to tar-

get (5-5.5)
Pay tribute to former and to latest leader (5) 6 Ready-to-order water barrier

outside castle in Spain (3)
9 Walked over again adding last of payload to rocket (6)
19 Dyarturned intention to include Speaker in agreed

out a girl (7)

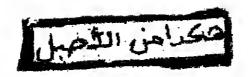
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Dow drifts in narrow range at midsession

Wall Street

US share prices drifted in narrow trading ranges either side of opening values as the stock markets struggled to find a new direction, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones iodustrial average was up 5.54 at 3,448.82. The more broadly based Standard & Poor's 500 was unchanged at 442.80, while the Amex composite was down 0.55 at 426.14, and the Nasdaq composite down 0.85 at 681.97. Trading volume on the NYSE was 127m shares by 1 pm. while rises and declines ran neck and oeck at 872 to 877, respectively.

Once again the absence of fresh economic news, or a lead from either overseas equity markets, or from a becalmed US bond market, left investors searching for inspiration yesterday. Although prices rose sharply on Monday morning, the buying was mostly technical in nature, and by the end of the day the Dow had registered a gain of only S points.

This means that the markets' main index has barely moved for the last five trading for corporate earnings and

The next piece of news likely to move the markets will come today in the form of the April producer prices index, which is expected to post a gain of about 0.2 per cent in the wake of higher food prices. Both bond and stock markets have become jittery about inflation lately, so if the PPI number comes in well above forecasts. stock prices could face a substantial short-term correction.

Among individual stocks, Anheuser Busch, the largest brewer in the US, climbed \$1% to \$511/4 in busy trading on reports that beer may be exempted from President Bill Clinton's proposed "sin" taxes, which are likely to be levied on cigarette and liquor sales.

Philip Morris, owner of the company which makes Miller Beer, the main domestic competitor to Anheuser Busch's Budweiser brands, falled to receive a lift from the news. Its shares fell \$1% to \$51%, primarily because of profit-taking in the wake of recent gains by the

investors' uncertainty about as 8 group, posting modest the outlook for the economy, gains across the board. Citicorp added \$% at \$28%, Chemical firmed \$% to \$39, Chase Manhattan rose \$% to \$30% and BankAmerica put oo \$1/4 at

> On the Nasdaq market, technology stocks ran into sellers. Intel fell \$2% to \$100% in volume of 2.5m shares after broking house Kidder Peabody lowered its investment rating on the stock from "buy" to "accu-mulate". Others in the sector were also weaker, with Apple down \$% at \$54%, Novell \$% lower at \$29% and Microsoft \$1% off at \$87%.

Canada

TORONTO remained under pressure at midday as losses in banking and base metal shares offset gains in gold miners. The TSE-300 index fell 7.73 to

3,770.80 in turnover of C\$328m. Declines led advances 310 to 308 with 255 issues unchanged. Banking shares, pinched by a rise in long-term Canadian bood yields, slipped sharply. The Royal Bank of Canada los C\$% to C\$28% in more than

Paris off 1.2 per cent following budget

THERE was widespread The CAC-40 index closed off disappointment in France to 22.69 at 1,854.52 in turnover of the government's budget pro-posals, detailed after the market closed on Monday, unites Our Markets Staff.

As Mr Andrew Shepberd-Barron analyst at Kleinwort Benson in London, commented, many of the plans had been in the market last week and factored into prices, leading to the market's underperformance over that period.

James Capel suggested that "this budget is going to send France deeper into recession in the short-term and provides little direct assistance to equities which will have to rely on further rate cuts if it is to move upwards.

Morgan Stanley, taking up this theme, noted that high and growing unemployment "demands much lower real Interest rates which the French, in defending the franc fort, have been unable to deliver. German monetary policy is therefore the key to the alleviation of this social ten-

PARIS shed 1.2 per cent in reaction to the budget which did not provide the hoped for stimulus to encourage equity investment hy small investors.

THE yen's depreciation against

the dollar failed to maintain

Japanese share prices at Mon-

day's bigher levels as arhitrags related buying lost momentum and dealers took

profits in late trading, writes

The Nikkei average ended

114.34 easier at 20,940.37, after

a day's range of 20,932.34 and

21,224.78. The Topix index of all first section stocks lost 3.22 at

1,635,83, but in London the ISE!

Nikkei 50 index edged up 1.93

of the Tokyo Stock Exchange

was estimated at 700m shares,

compared with a final 549m

during the previous session.

Rises still showed a lead over

declines at the close hy 667 to 418, with 114 issues unchanged.

investors are likely to avoid

taking long positions in Tokyo

before the hulk of Japanese corporate earnings reports are

released later this month, bro-

Fears of unexpected down-

ward company revisions, cou-

pled with a lack of fresh incen-

tives, have placed a ceiling on

the Nikkei's advance, they

However, market partici-

pants expect limited downside

risk hecause institutional

investors tend to buy equities

on dips and pension funds managed by the government

may serve to support share

An analyst at a Japanese

securities hrokerage said

domestic life insurance compa-

nies were gradually increasing

the percentage of equity hold-

ings in their portfolios, which

would improve the chances for

a sustained rally once addi-

GOLD shares came under some selling pressure in mostly slow trade which left

the index down 31 at 1,430.

The overall index was unchanged at 3,746 and indus-

trials added 14 to 4,378, after

SOUTH AFRICA

kers said.

prices.

Volume on the first section

Wayne Aponte in Tokyo.

Tokyo

some FFr3bn. Further evidence of disappointing first quarter sales came from Alcatel Alsthom and the shares eased FFr13 to FFr627. Eurotunnel closed off FFr1.70 or nearly 5 per cent at FFr33.30 as the opening of the rail link receded further.

FRANKFURT firmed on tech nical trading as dealers bought back shares after the index failed to fall through the 1,600 level on Monday. The DAX index rose 7.12 to 1,616.15 in turnover of DM6.6bn.

Volkswagen plunged DM6.60 to DM320.50 on further pessimism over the company's future performance. Veba, the utilities concern,

statement that the company expected satisfactory results in spite of the weakening econ-ZURICH drew strength from

rose DM5.30 to DM384 after 8

the firmer dollar and D-mark, which help export earners, and the SMI index rose 13.5 to 2,192.6, near to its all-time

The market is seeing a return of foreign demand as well as funds being switched

Open 10.30 11.00 12.00 13.00 14.00 15.00 Close Hourty changes 1141.38 1141.29 1140.93 1141.97 1142.42 1141.60 1139.87 1140.44 FT-SE Eurotrack 100 1205.57 1206.90 1206.78 1206.21 1206.45 1206.30 1205.43 1206.03 Nay 10 May 7 1152.03 1142.41 FT-SE Eurotrack 200 Base taken 1000 (25/10/90) high/day: 100 - 11/02/93, 200 - 1/200,50 (Lond Say: 100 - 11/29/45 (200 - 1/20) 39

FI-SE Actuaries Share Indices

ment into stocks. Mr S J Marshall Lockyer of

Kleinwort Benson in London attributes the market's current strength to a return of investorsentiment towards pharmacentical stocks. This followed the perception that Mrs Hillary Clinton's exploration of US healthcare reform was becoming more sympathetic to the pharmaceutical sector. Roche cartificates which

have been recent strong performers, added SFr20 in early trade before late profit-taking left them SFr10 easier at

Insurers were back in demand: registered shares in Zurich Insurance rose SFr40 to SFr2.900 ahead of today's press conference at which a breakdown of 1992 figures will be

MILAN edged lower, with trading beld back by today's expiry of monthly options con-tracts and Friday's end of the monthly account. The Comit index shed 1.0 to 531.62 in turnover well down from recent

levels at an estimated L250bn. Fondiaria, the insurer, was an exception, rallying L1,437 or 4.7 per cent to L31,582 on speculation, confirmed late in the day, that it had finally sold its 20 per cent stake in AMB, its German partner.

AMSTERDAM saw a strong performance from Elsevier, up Fl 1.80 at Fl 130.70, after the group announced further acquisitions in hoth Europe

0.1 to 108.7. BRUSSELS edged up amid low volume, with activity led by trading in Delhaize which surged surged BFr38, or 3.3 per cept, to BFr1,196 on shortcov. ering by foreign investors and speculative buying by dealers. The Bel-20 index added 3.22 to 1,190.78 in turnover of RFr1.25bn.

MADRID reversed recent weakness with a gain in the general index of 1.82 to 242.21 helped by strength in the banking and construction sectors. Turnover was high at Ptaisbn, compared with an average Pta11bn last week.

DUBLIN built oo Monday's 1.5 per cent rise with a gain in the ISEQ index of 10.82 to 1,522.93, as some confidence returned following the completion of the Greencore placing.

There was strength in financials with Irish Life and AIB both gaining 2 per cent while Fyffes rose 5.5 per cent on news of a joint venture with a Canary Island's group.

OSLO advanced on a stronger dollar and lower money market rates. The All Share index rose 6.53 to 476.45 in turnover of NKr464m. Norsk Hydro rose NKr3 to NKr174.5. The strength in the dollar helped the shipping sector up 9 to 456.14, with Kvaerner np NKr4 to NKr196.

Manila picks way round obstacles to new heights

Jose Galang on the recent equity market rally

be Philippine stock market appears to be taking a breather from a record-hreaking frenzy since

late April. However, analysts expect the rise to resume after the market consolidates this week from an overbought position. The composite index closed yesterday at 1.642, down from a record

high of 1,654 on May 5. Excess liquidity caused by a reduction in the volume of Treasury hills auctioned hy the Central Bank in early April has kindled interest in

According to Mr Francisco Liboro, research head at Belson Securities, technical factors have also favoured a rise in the market. In splte of optimism over the economy since early this year, the market had been trading below the previous peak of 1,581 registered in June last year after the country's first peaceful general elec-

tion in 25 years. The past two weeks' bectic trading has also pushed turnover to an average 510m pesos (\$21.2m) a day in the first week of May, almost double the usual volume.

The sharp increase in turnover is giving analysts reason to believe that the market advance could be sustained for some time. However, fundamentals leave much to be

down this year's GDP target to 3.5 per cent from 4.5 per cent because of the adverse effects of the daily power cuts in the main Luzon island, and the failure of a scheme to "pumpprime" the economy by advancing the implementation of infrastructure projects to the first balf of the year.

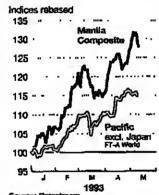
Even that goal may be difficult to attain. Mr Jose Pardo, president of the Philippine Chamber of Commerce and

NATIONAL AND REGIONAL MARKETS

Industry, says his organisation's analysis suggests a 25 per cent growth in GDP this year because of the power problem. But he adds that "the real growth" should come late this year when new power

plants are expected to come on line. Corporate earnings, earlier projected to grow hy about 20 per cent this year, have not moved as expected.

Philippine Long Distance Telephone, for instance, yester-



day reported a 19 per cent decline in first-quarter net profits because of a sharp rise in dividend payments to preferred shareholders during the

Optimism, however, is expec-ted to be sustained by lower domestic interest rates and inflation. Rates on Treasury hills dropped to 11.6 per cent on average last week, compared with 15 per cent at the end of last year.

A bill now being debated in congress will establish a new Central Monetary Authority that will replace the Central Bank. Designed to be able to exercise more independence from the incumbent administrations, the new CMA is seen as being more effective in

MONDAY MAY 10 1998

11S.00 118.06 121.38 105.97 184.05 80.63 130.20 92.36 227.98 121.54 56.91 121.74

1262.57 140.74 36.96 131.62 199.06 154.63 106.03 146.48 101.08 146.99 151.04

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130.84 95.69 130.64 95.69 136.69 89.97 140.54 102.78 122.70 69.74 2213.10 155.68 93.35 68.28 150.77 110.26 106.85 78.23 263.96 193.05 152.31 111.39 85.90 48.18 140.94 103.08 312.06 228.22 1461.99 1059.24 162.95 118.18 45.11 32.99 152.39 111.45 230.48 169.56 179.04 169.56 179.04 169.58 179.05 124.48 174.96 124.09 157.00 85.57 170.21 124.48 174.98 127.90 139.55 102.07

+0.2 174.98 127.90 151.04 181.06 -1.5 139.56 102.07 120.54 181.51 -1.7 180.81 117.81 138.89 160.08 -0.3 144.07 105.37 124.43 108.91 -0.8 142.11 108.93 122.73 118.68 +0.2 171.62 125.53 148.25 176.68 -1.5 120.53 68.21 104.17 108.79 -1.0 175.35 128.28 151.46 185.78 -0.7 142.62 104.31 123.18 120.81 -0.3 150.78 110.28 130.22 136.31 -0.4 152.40 111.47 131.84 139.02 -0.4 160.36 117.32 138.55 159.27

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further bringing down interest

the composite index has gained more than 30 per cent, with such favourites as San Miguel advancing 51 per cent, Ayala 20 per cent and PLDT 15 per cent. Among recently listed issues, Manila Electric has already surged 106 per cent since the start of the year, and International Container Terminal Services (ICTSI) 75 per cent.

Analysts expect such "recession-proof" stocks as ICTSI and PLDT to continue to lead any market advance in the coming months.

PLDT should benefit from the recent drop in the peso rate against the US dollar: the peso has declined by as much as 7.5 per cent from its end-1992 level in spite of occasional central bank intervention.

At the height of last week's raily, the market was trading at a price/earnings multiple of ahout 13. Analysts forecast that in a period of economic recovery the market can grow to a p/e of at least 15. As such, most analysts see room for further growth among equities. Brokerage houses are already talking of a new high of 1,750 and if economic recovery gets under way the target could be 1,800 by the end of the year.

further decline in interest rates is expected to favour corporate earnings, although a reversal of the current trend may develop in the third quarter. Coinciding with a reduction in the bank reserves required against deposits, this should lead to higger amounts available for

lending to corporations. On the other hand, the peso decline should boost earnings of export-oriented companies, including some of the mining companies now largely ignored

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FRIDAY MAY 7 1998

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113.41 129.40 118.18 17.53 121.14 118.18 104.41 118.18 104.41 118.18 104.41 118.18 104.41 118.18 12.62

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Land sale agreement supports Hong Kong tional signs of an economic recovery surfaced.

In spite of the day's declines. the yen's downturn against the dollar prompted investors to purchase export-related issues. Sony put on Y80 at Y4,930, Pio-neer Electronic Y70 at Y2,650 and TDK Y20 at Y4,000.

Profit-taking pushed carmakers lower: Nissan shed Y39 to Y780, Toyota Y20 to Y1,720 and Isuzu Y8 to Y485. in Osaka, the OSE average

finished 198.81 bigher at 23,152.38 in volume of 31.6m shares.

Roundup

PACIFIC Rim markets managed a mostly firmer performance yesterday.

HONG KONG rallied as the
Sino-British Land Commission agreed its land sales programme for this year. The Hang Seng index was up 107.83, or 1.6 per cent, at 6,847.06 after touching 6,672.79. Turnover came to HKS1.2bn after Monoay's HKS4.0bn.

Property issues led the rise. Cheung Kong and Henderson Land rose 70 cents to HK\$27.30 and HKS20.20 respectively. AUSTRALIA received support from strength on Wall

Stres: and demand for some banking shares The All Ordinaries index appreciated 15.4 to 1.687.4 as dopes of an interest rate cut

encouraged investors. Westpac jumped 14 cents to AS3.77 and ANZ advanced 13 cents to AS3.50 on overseas huving. Brambles industries, the mansport group, recouped Monday's loss which was

prompted by a weak profits forecast, rebounding 46 cents SINGAPORE saw selected

institutional buying which took the market index higher while overall trade remained mixed. The Straits Times Industrial index rose 22.02, or 1.24 per cent, to 1,794.04 in volume of 211.4m shares, after 217.7m in the previous session.

RUALA LUMPUR was mixed to easier on profit-taking, with falls in some leading component stocks weighing on the composite index, which finished 5.55 lower at 710.55.

BANGKOK edged higher in thin trade and the SET index gained 8.51 at 850.35 in turnover of Bt2.1on. Among the actives, Bangkok Bank of Commerce firmed Bt1 to Bt16.00. NEW ZEALAND rebounded

from Monday's fall on shortcovering and bargain hunting. The NZSE-40 index rose 8.55 to 1,565.59. Forestry stocks, which had led the recent slide. firmed, with Fletcher Chal-

ienge up 1 cent to NZ\$2.57. KARACHI was higher after the government unveiled incentives to help the textile industry, ranging from a cut in duties to more liberal finance ing. The 100-share price index climbed 7.13 to 1,113.95.

BMA Capital Management in Karachi notes in its latest weekly review that investor confidence has been improving amid repeated assurances by the caretaker government on holding elections on time and under army supervision.

BOMBAY gained ground on short-covering and the BSE index rose 62.37 to 2,289.31.



FINANCIAL TIMES CONFERENCES

OPPORTUNITIES IN PRODUCT TAKE-BACK AND RECYCLING

A STRATEGIC MANAGEMENT FORUM ARRANGED IN ASSOCIATION WITH

THE BOSTON CONSULTING GROUP

28 & 29 JUNE - Königswinter

With increasing consumer and Government concern about the environment, producers of durable consumer goods from pocket calculators to cars will face future legislation to takeback and recycle their products. In Germany, legislation is underway for electronic waste and cars which will add up to an estimated 35% of total value, initially as cost to their businesses.

At such an early stage there are many questions to be answered. How can large corporations integrate the new take-back and recycling business into their corporate portfolio management? How can individual manufacturers cope with product take-back? Should they go it alone, leave it to service companies, co-operate within the industry or join forces in crosssector co-operation?

Speakers include:

Dr Klaus Töpfer

Federal Minister for the Environment, Nature Conservation and Nuclear Safety, Germany

Mr Salvatore Giammusso AF L Falck

Dr Herbert Wörner

German Association of Electrical and Electronics Industries

Mr John Boyd Digital Equipment Company

Mr Thierry Chambolle Lyonnaise des Eaux Dumez

Mr Günther Giffels Thyssen Sonnenberg GmbH

Dr Franz Scherer Rank Xerox GmbH

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OPPORTUNITIES IN PRODUCT TAKE-BACK AND RECYCLING

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